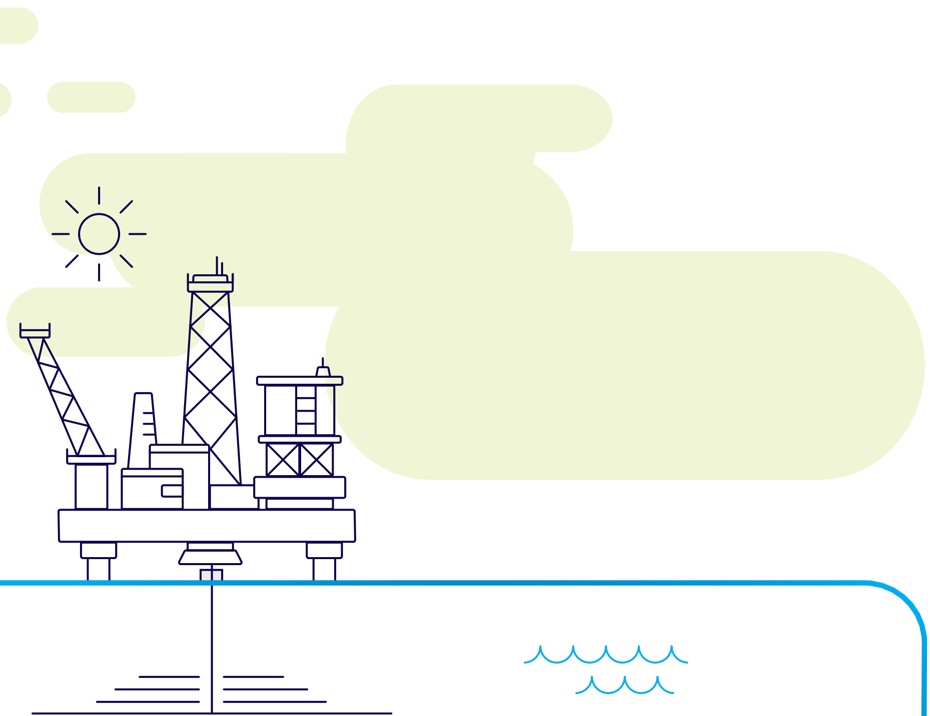
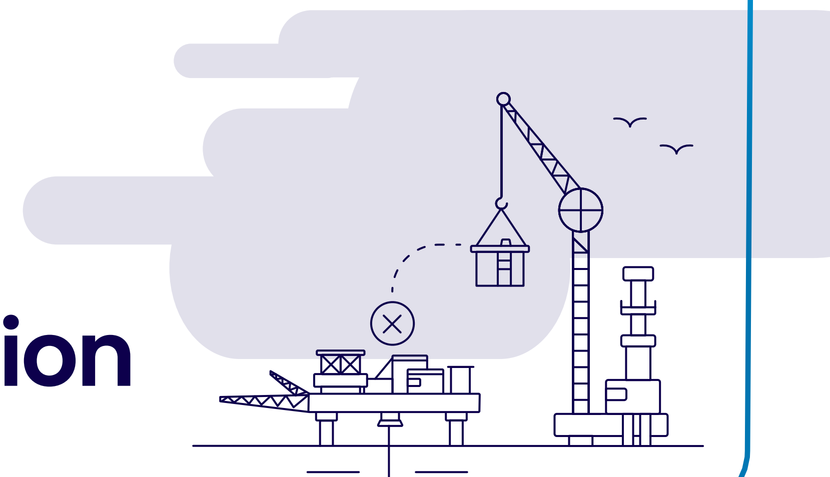


Differentiated operations through the energy transition



ENQUEST PLC
ANNUAL REPORT AND
ACCOUNTS 2023

An integrated energy company

ENQUEST IS FOCUSED ON DELIVERING ENERGY TO MEET TODAY'S AND TOMORROW'S NEEDS WHILE PURSUING DECARBONISATION OPPORTUNITIES.

1 Our purpose

Our purpose is to provide creative solutions through the energy transition.

2 Our strategic vision

To be the partner of choice for the responsible management of existing energy assets, applying our core capabilities to create value through the transition.

3 Our Values

SAFE Results

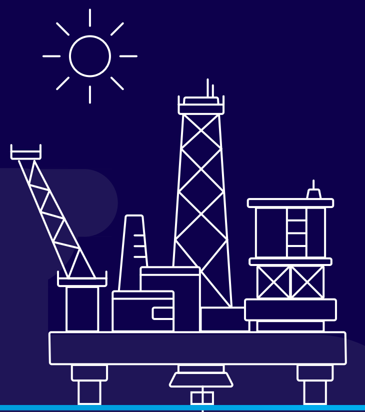
Working Collaboratively

Respect & Openness

Growth & Learning

Driving a Focused Business

4 What we do



UPSTREAM

We responsibly extract existing oil and gas resources through established infrastructure while minimising emissions.

→ For more, see Page 18

DECOMMISSIONING

We are committed to delivering decommissioning programmes responsibly, minimising emissions and maximising the reuse of recovered materials.

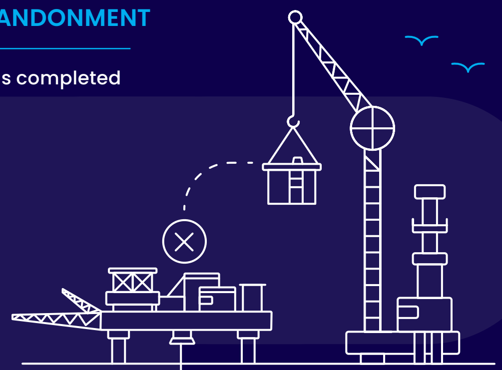
→ For more, see Page 20

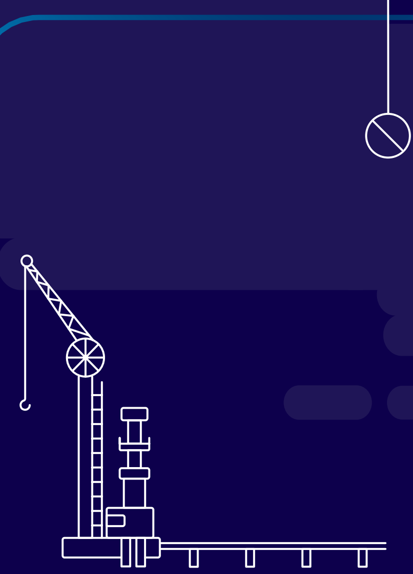
WELL PLUG AND ABANDONMENT

Thistle and Heather wells completed

25

2022: 24





MIDSTREAM AND VERI ENERGY

We are focused on safe and reliable operations while repurposing infrastructure to progress renewable energy and decarbonisation opportunities at scale.

→ For more, see Page 22

CARBON STORAGE

Total CO_2 storage potential
In excess of (mtpa)

500

TOP QUARTILE PRODUCTION UPTIME

Group operated production efficiency
%

87

2022: 84

5 Our strategic focus

Managing assets to optimise and grow production while exercising cost control and capital discipline

Repurposing existing infrastructure to deliver new energy and decarbonisation opportunities at scale

Safely and efficiently executing decommissioning activities

Continuing to reduce debt while pursuing selective, capability-led and value-accretive acquisitions.

→ For more, see Our strategy on Page 16

CONTENTS

Highlights

Strong free cash flow generation driving continued debt reduction.

Strong operational performance and focused cost control and capital discipline underpinned robust free cash flow generation. EnQuest net debt was reduced in the year from $717.1 million to $480.9 million, with $260.0 million of accelerated repayments of the Group's reserve based lending ('RBL') facility made during the year. The Group's debt maturities have also been extended to 2027 following a new $150.0 million term loan facility being agreed in August 2023 and the settlement in full of the 7% Sterling retail bond in October 2023.

Production in the year decreased by 7.3% versus 2022, reflecting natural declines across the portfolio partially offset by strong uptime and well programme activities at Magnus and PM8/Seligi and additional gas production from Seligi.

The Group's adjusted EBITDA decreased 15.8% to $824.7 million, primarily reflecting the impact of lower commodity prices on revenue, partially offset by lower cost. Profit before tax increased by 14.1% to $231.8 million, primarily driven by fair value changes in the Magnus contingent consideration liability, partially offset by a higher non-cash impairment charge. The Group reported a basic loss per share of 1.6 pence (2022: loss per share of 2.2 pence), primarily reflecting the current tax impact of the UK Energy Profits Levy.

The Group's improved balance sheet and liquidity position means EnQuest is well placed to pursue growth opportunities and begin returns to shareholders.

COMMODITY PRICES

Average Brent oil price
$/bbl

82.5

-18.2%
2022: 100.8

Average day-ahead gas price
GBp/therm

98.9

-51.4%
2022: 203.5

ALTERNATIVE PERFORMANCE MEASURES[1]

Operating costs
$ million

347.2

-12.4%
2022: 396.5

Adjusted EBITDA
$ million

824.7

-15.8%
2022: 979.1

Free cash flow
$ million

300.0

-42.2%
2022: 518.9

Read more in the Financial review
See Page 26

STATUTORY PERFORMANCE MEASURES

Revenue and other operating income
$ million

1,487.4

-19.8%
2022: 1,853.6

Profit/(loss) before tax
$ million

231.8

+14.1%
2022: 203.2

Basic earnings/(loss) per share
cents

(1.6)

+27.3%
2022: (2.2)

Net cash flows from operating activities
$ million

754.2

-19.0%
2022: 931.6

Net assets/(liabilities)
$ million

456.7

-5.7%
2022: 484.2

Read more in the Financial review
See Page 26

Note above:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 193

Notes opposite:
1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)
2 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 193

Key performance indicators

A: HSEA
Group Lost Time Incident frequency rate[1]

-8.8%

2023	0.52
2022	0.57
2021	0.21

2023 performance improved versus 2022 with respect to Lost Time Incident ('LTI') performance but the Group was disappointed to see LTIs during the year. EnQuest remained in the upper quartile for this metric and has engaged in a programme of intervention, working closely with contractors to ensure that all people working on EnQuest installations are aligned with our safety culture.

D: Cash generated from operations
$ million

-16.7%

2023	854.7
2022	1,026.1
2021	756.9

Cash generated from operations reflected lower production and lower commodity prices partially offset by effective cost control.

G: Net 2P reserves
MMboe

-7.9%

2023	175
2022	190
2021	205

During the year, the Group produced c.16 MMboe of its year-end 2022 2P reserves base.

B: Net production
Boepd

-7.3%

2023	43,812
2022	47,259
2021	44,415

The decrease in production was primarily driven by natural declines across the portfolio partially offset by strong uptime and well programme activities at Magnus and additional gas production from Seligi.

E: Cash capital and decommissioning expense[2]
$ million

+20.8%

2023	211.1
2022	174.8
2021	117.6

Increased cash capital and decommissioning expense reflected well programmes at Magnus and Golden Eagle, in addition to well plug and abandonment decommissioning activities at Heather/Broom, and Thistle/Deveron.

H: Scope 1 and 2 emissions
tCO_2e

-1.0%

2023	1,041.9
2022	1,051.9
2021	1,164.1

Total CO_2e emissions were marginally lower, reflecting lower fuel gas and diesel usage.

C: Unit opex[2]
$/Boe

-3.5%

2023	21.9
2022	22.7
2021	20.5

Average unit operating costs were primarily impacted by work programme optimisation across the portfolio, combined with higher lease charter credits and lower diesel costs at Kraken, partially offset by the strengthening of Sterling against the US Dollar.

F: EnQuest net debt[2]
$ million

-32.9%

2023	480.9
2022	717.1
2021	1,222.0

Strong free cash flow generation was utilised to deleverage the Group's balance sheet. During 2023, the Group aligned debt maturities to 2027 following a new term loan being agreed and the settlement in full of the 7.00% Sterling retail bond.

Our strategic focus

- Managing assets to optimise production while exercising cost control and capital discipline
- Repurposing existing infrastructure to deliver new energy and decarbonisation opportunities at scale
- Safely and efficiently executing decommissioning activities
- Continuing to reduce debt while pursuing selective, capability-led and value-accretive acquisitions

Group operations

EnQuest is an independent energy company.
We focus on mature late-life assets, responsibly optimising production to provide energy security. Where we can, we repurpose our infrastructure to deliver renewable energy and decarbonisation projects before executing world-class decommissioning. We are investing in infrastructure and new energy to drive the transition.

TOP QUARTILE OPERATIONS

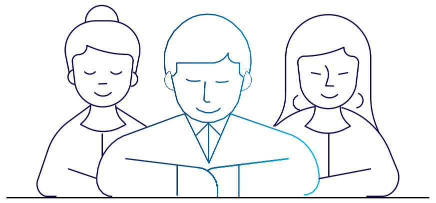
As an operator of mature assets, it is imperative that EnQuest delivers top quartile production efficiency to maintain cash generation and extend asset lives.

In 2023, EnQuest achieved the following production uptime performance at its operated assets:

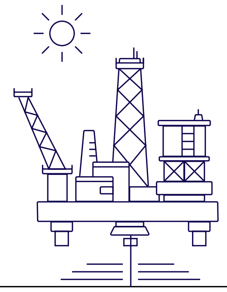
- **Magnus: 88%**
- **Kraken: 86%**
- **Greater Kittiwake Area: 83%**
- **PM8/Seligi: 90%**

Read more in the Operational review
See Page 18

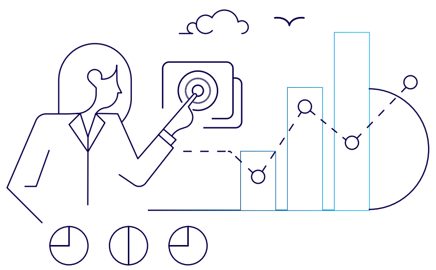
EXISTING OPERATIONS



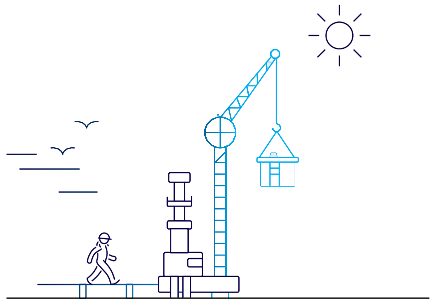
734
Global employees



4
UK production hubs



1
Onshore processing terminal



4
Decommissioning assets

43,812
(Boepd) Production

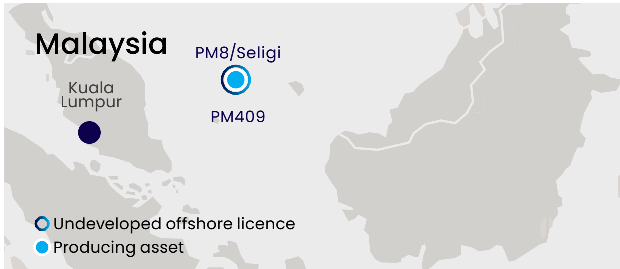
175
(MMboe) 2P Reserves

389
(MMboe) 2C Resources

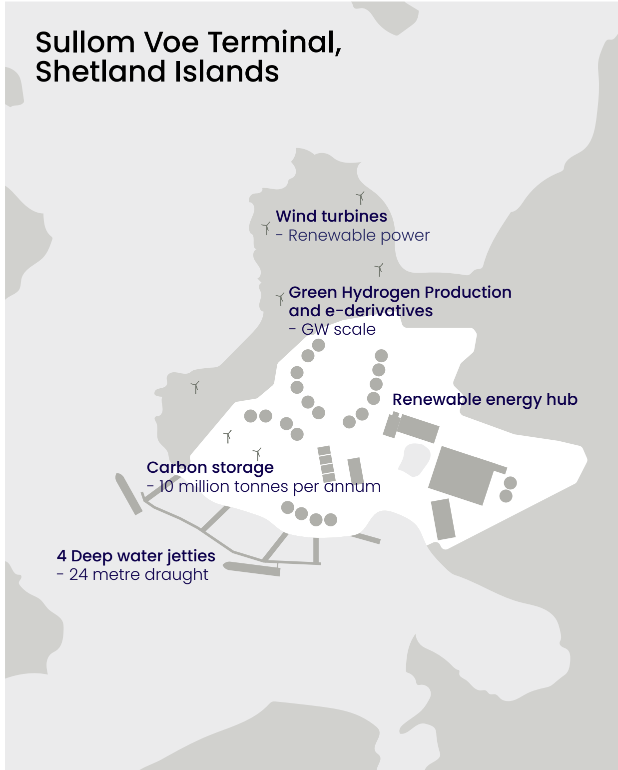
95%
Operated 2P

84%
UK North Sea 2P

1.5x
RRR[1] since IPO



RENEWABLE ENERGY AND DECARBONISATION OPPORTUNITIES



10
mtpa CO_2 storage potential

4
carbon storage licences

Sullom Voe Terminal provides the Group with the infrastructure from which to progress its new energy and decarbonisation ambitions including carbon capture and storage, the production of green hydrogen and derivatives and generation of renewable power

1 Reserves Replacement Ratio calculated as Reserves Additions/ Production – as at 31 December 2023

Fuelling the just energy transition

Gareth Penny
Chairman

Overview

The Group continues to achieve operational excellence in a safe, responsible manner, leveraging core capabilities to create value through the transition. By delivering against 2023 operational and financial targets, EnQuest again generated material free cash flow, facilitating further reduction in the Group's net debt and the voluntary acceleration of repayments against our senior secured credit facility, in line with our strategic objective to de-lever the business.

Against the backdrop of the evolving UK fiscal environment, our financial performance remained robust, underscored by disciplined cost management and a prudent approach to capital allocation which has enabled us to strengthen our balance sheet, reduce debt levels, and enhance financial flexibility. With great progress made in recent years against our stated aims to deliver and de-lever, it is now time for the Group to focus on value-accretive growth.

As the reality of the UK Energy Profits Levy has impacted cash generation and investment across the UK energy sector, the Group's significant tax loss position creates a relative advantage versus full tax paying peers and the value of assets in EnQuest's hands far outweighs that which could be generated in the hands of other organisations. As such, I am confident there will be further opportunities for EnQuest to add significant production and cash flow to the portfolio as majors and other operators continue to shift their focus from the UK. We will also continue to assess appropriate M&A opportunities in other geographies and look at balancing the commodity mix within our portfolio with more gas assets.

EnQuest's Just Energy Transition

While the Upstream business remains a core focus given its cash generating capability, the Group has made considerable progress in a short space of time in delivering credible and potentially material new energy and decarbonisation opportunities which are now managed by Veri, a wholly owned subsidiary of EnQuest PLC, primarily through the repurposing of existing infrastructure.

The Group also continues to demonstrate its sector-leading capability in decommissioning, which is becoming an ever more significant component of the competency mix for a North Sea operator.

This enhanced business model is underpinned by several complementary, transferable, proven capabilities, and our drive to support energy security, supply and affordability, jobs and the communities in which we operate means we have the chance to establish EnQuest as a true just energy transition company. We believe in collaborating with local communities, governments, and partners to build a future where energy needs are met sustainably and equitably. The expertise which resides today within traditional oil and gas companies will deliver the energy transition and we recognise that our skilled and dedicated workforce is our strength.

As we navigate the energy transition, we are committed to strategies that prioritise employee and community wellbeing, professional growth, and economic security. We have set ambitious, time-bound targets to reduce our emissions, consistently updating internal and external stakeholders on progress, and I was delighted to see our efforts recognised through a 'B' rating in the 2023 CDP Climate Change Survey, which places EnQuest among the sector leaders.

The Board added its support to the Group's sustainability plan during 2023 by approving a commitment to reach net zero Scope 1 and Scope 2 emissions by 2040 and will work closely with management to ensure that appropriate and credible milestones are set for the journey to net zero.

Board composition

As the Group's strategy has evolved, we have taken steps to align the competencies of the Board more closely with its delivery, culminating in a process to reshape the composition of our Board during 2023. As part of that process, our three longest serving Non-Executive Directors, Carl Hughes, Howard Paver, and John Winterman, stepped down from the Board at the 2023 Annual General Meeting and, following an extensive recruitment process, Michael Borrell and Karina Litvack were appointed as Non-Executive Directors. Unfortunately, Karina had to step down from the Board due to an unexpected conflict arising. The recruitment process for an additional Non-Executive Director commenced in January 2024 and I am delighted to welcome Rosalind Kainyah to the Board ahead of the AGM.

The restructure also involved reviewing the roles and responsibilities of the Executive Directors and it was agreed that Salman Malik, Chief Financial Officer ('CFO') and Managing Director, Infrastructure and New Energy, would assume the role of Chief Executive Officer ('CEO') of Veri Energy ('Veri'), a wholly owned subsidiary of EnQuest. This was the logical next step for the Group's new energy and decarbonisation ambitions and provides the dedicated Veri team the opportunity to leverage support from financial and strategic partnerships. We recruited Jonathan Copus as CFO Designate in December 2023 and, after a formal transition process, he became CFO on 1 February 2024 and will be proposed for election to the Board at the Annual General Meeting ('AGM'). Jonathan was previously CFO at Salamander Energy PLC, a production and development business focused in South East Asia and also served as CEO at Getech Group PLC. Jonathan has a strong technical background in geoscience and geology, as well as extensive capital markets experience.

> "We recognise the evolving energy landscape and are committed to leading a Just Energy Transition, ensuring that our workers, the communities we serve, and our stakeholders benefit in the process."

As we look forward, I am pleased to report that the Group is led by a strong and experienced management team, supported by a diverse and knowledgeable Board, and has excellent people who, collectively, are focused on delivering on EnQuest's energy transition strategy.

Looking ahead

The Group remains firmly committed to delivering long-term value for our shareholders while embracing the opportunities and challenges of the evolving energy landscape. We recognise the imperative to adapt to changing market dynamics and embrace innovation and sustainability as catalysts for future growth.

As we embark on the next growth phase of our journey, we are confident in the resilience of our business model, the capability and dedication of our people, and collective support at all levels of the organisation to cement EnQuest as a key player in a just energy transition. Together, we will continue to build on our successes, drive operational excellence, and pursue sustainable growth, guided by our strategic vision to apply our core capabilities to create value though the transition.

The Group's strong track record of delivering accretive acquisitions through innovative transaction structures places EnQuest in a good position as other industry participants reconsider their appetite for continued investment in the UK North Sea following changes to the prevailing fiscal regime. EnQuest's business model is proven to capture additional value through effective late-life asset management across Upstream and Decommissioning and the utilisation of the Group's significant UK tax loss position. Coupled with the potential for many of the Group's distinct capabilities that drive its Upstream and Decommissioning businesses to be effectively applied to renewable energy and decarbonisation workstreams, I am confident that EnQuest enjoys a differentiated position that will underpin success in the future.

Gareth Penny
Chairman

Global trends impacting our business

In shaping our strategy we consider a wide range of issues, assessing the potential opportunities and threats they pose to our business.

Macroeconomic uncertainty

Global markets impacted by volatility of the geopolitical environment, with continued conflict in Europe and escalating tensions in the Middle East due to Israel-Hamas war.

What does it mean for our industry?

Commodity prices remained supportive during 2023, with increased demand for hydrocarbons as global economies continued on the path of industrial recovery post-pandemic. An increase in US shale production, as well as the emergence of additional incremental non-OPEC supply led OPEC to institute production cuts. Supply concerns have escalated and dissipated at various junctures during the fourth quarter of 2023 and continued into 2024 with an escalation of tensions in the Middle East.

How are we responding?

EnQuest hedges a significant amount of its production, predominantly through put options, in order to protect against downside risk, while retaining the upside during periods of increased commodity prices.

UK oil and gas fiscal regime

The EPL has driven some operators to shift focus away from the UK North Sea and has impacted access to capital across the sector.

What does it mean for our industry?

Fiscal regime volatility undermines confidence and imposes significant challenges on the sector, negatively impacting the investment environment. The extension of the UK Energy Profits Levy ('EPL') to 2029, which was announced in the Spring Budget, represented the fourth amendment to UK sector taxation in the last two years. The EPL has resulted in a number of industry participants accelerating their shift in focus away from the UK North Sea, with some reducing investment and others looking to depart the UK entirely.

How are we responding?

EnQuest remains committed to the UK and the Group's historic tax loss position in the UK creates a significant 2.6x relative tax advantage versus full tax paying operators. This provides the Group with a strong foundation from which to pursue value-accretive growth through acquisition.

Read more in the Financial review See Page 26

Responsible and sustainable operation

Key stakeholders are increasingly demanding responsible and ethical working practices that drive positive impacts for society and manage risk.

What does it mean for our industry?

The Environmental, Social and Governance ('ESG') landscape is evolving and oil and gas companies are expected to adopt principles of environmental stewardship, resource efficiency, social responsibility and community engagement, and safety and risk management. Above all, transparency and accountability are vital.

How are we responding?

EnQuest maintains collaborative relationships with major shareholders, lenders and other key stakeholders, regularly seeking feedback on the Group's operational plans and ESG performance. Demonstrating its commitment to responsible and sustainable operations, the Group was awarded a 'B' rating in the 2023 CDP Climate Change Survey.

Climate change and carbon targets

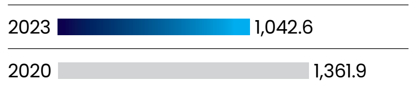
Governments, regulators and consumers are calling for the reduction of carbon-related emissions and net zero targets are coming under scrutiny.

What does it mean for our industry?

Within the oil and gas sector, a credible transition plan is effectively the licence to operate. Companies will increasingly be asked to explain how targets will be met and emphasis will be applied to reporting against interim milestone targets.

Scope 1 and 2 emissions
tCO_2e

−23%



How are we responding?

EnQuest has a Board-approved target to reach net zero in terms of Scope 1 and Scope 2 emissions by 2040. The Group is progressing its transition plans and aims to institute a net zero roadmap during 2024. The decarbonisation and new energy opportunities at the Sullom Voe Terminal add significant credibility to the Group's net zero ambitions.

The just energy transition ('JET')

The JET has risen to prominence, underscoring the shift from fossil fuels to renewables, prioritising equity and support for impacted people and communities.

What does it mean for our industry?

The transition to just energy introduces both challenges and opportunities for the sector. Companies that adapt to changing market dynamics, diversify their portfolios, and embrace sustainable practices will be better positioned to thrive in a low-carbon future. Investors are increasingly considering ESG factors in their investment decisions and companies will face issues in attracting investment if they are perceived as being incompatible with sustainability goals.

How are we responding?

The Group recognises the evolving energy landscape and is committed to leading a Just Energy Transition, ensuring that our workers, the communities we serve, and our stakeholders benefit in the process.

Primed for growth

Amjad Bseisu
Chief Executive

All figures quoted are in US Dollars and relate to Business performance unless otherwise stated.

Overview

Since we set our strategic priorities of 'deliver, de-lever and grow' at the end of 2018, we have made significant progress; consistently delivering against production, operational and cost targets, which in turn has enabled us to generate material free cash flows, even during periods of reduced commodity prices. Against the backdrop of a challenging fiscal environment in the UK, we have reduced EnQuest net debt by more than $1.5 billion since its peak and have aligned outstanding debt maturities in 2027. Now is the time for EnQuest to build on that strong foundation as we pivot to growth during 2024 and initiate our first ever return of capital to shareholders.

During 2023, the Group once again delivered a strong operational and financial performance. Production uptimes were high across the portfolio while maintaining discipline in our cost management and investment decisions drove expenditure lower than 2023 guidance, generating free cash flow of $300.0 million and enabling the reduction of EnQuest net debt to $480.9 million.

From a growth perspective, we have positioned ourselves well to transact by ending 2023 with $498.8 million of liquidity, representing a combination of cash and headroom within our borrowing facilities. The Group has an established track record of executing value-accretive, quick payback acquisitions and, having extended the economic lives of all nine of the assets we have operated by a minimum of ten years, we will look to utilise our differentiated capabilities and advantaged tax position to grow the business through M&A.

We also realised value within the existing portfolio by selling a 15.0% share of both the Bressay licence and the EnQuest Producer Floating, Production, Storage and Offloading ('FPSO'); a transaction which represents an important step in moving the Bressay project forward.

Since 2018, we have materially reduced our absolute Scope 1 and 2 emissions and in 2023, we launched Veri Energy ('Veri'), a wholly owned subsidiary of EnQuest, as the logical next step in the strategic evolution of EnQuest's new energy and decarbonisation ambitions, which are initially focused on the strategically advantaged Sullom Voe Terminal site.

> **"Our business model embodies the energy transition and provides a platform for us to display our top quartile capabilities across the asset life cycle. We are value-led and committed to playing our part in a just and sustainable transition, with our people at its heart."**

Throughout the year, we reinforced our position as a leading exponent of decommissioning activities, delivering another record year as the most productive well plug and abandonment ('P&A') campaign in the northern North Sea, demonstrating our differentiated capability through an average well plug and abandonment cost which leads our peer group.

Our enhanced business model spans the energy transition, ensuring that through time the transition is managed in a just and sustainable manner. By responsibly managing existing assets, we will continue to contribute to energy security today while advancing our new energy and decarbonisation opportunities through Veri Energy to support a future lower-carbon energy system, before safely decommissioning those assets. Our business model is underpinned by several complementary, transferable, proven capabilities and provides long-term opportunities for our people.

Market conditions

Commodity prices

During 2023, global markets predominantly operated within a price range of $70/bbl to $90/bbl, except for a short period of escalated prices during September. This range reflected softer pricing than that seen during 2022, with a number of macroeconomic and geopolitical impacts offsetting each other. 2023 saw an increase in demand for hydrocarbons as global economies continued the path of industrial recovery post-pandemic but the impact on commodity prices was offset by an increase in US shale production of around 1.5 million barrels of oil per day, as well as the emergence of additional incremental non-OPEC supply, predominantly from Brazil, Guyana and Canada. These supply impacts led OPEC to institute production cuts, which drove the September 2023 price spike but which ultimately resulted in a stabilisation of prices towards the end of the year. The geopolitical environment has also caused uncertainty within global markets amid a continuation of the Russia-Ukraine conflict in Europe and escalating tensions in the Middle East as war broke out between Israel and Hamas in October. Supply concerns have escalated and dissipated at various junctures during the fourth quarter of 2023 and continued into 2024 with US-UK missile strikes to protect the safe passage of maritime trade in the Red Sea.

Fiscal uncertainty

Following the introduction, and subsequent amendment, of the UK Energy Profits Levy ('EPL') during 2022, 2023 represented the first full year of the windfall tax on oil and gas producers, at an increased headline rate of 35%, impacting the Group's profitability. As expected, the EPL has impacted access to capital across the sector, with the most significant on EnQuest being the reduced borrowing base within the Group's reserve based lending ('RBL') facility. Our robust financial performance has enabled EnQuest to accelerate repayments against the RBL, with the 2023 year-end drawn balance of $140.0 million being further fully repaid in the first quarter of 2024, while the October 2023 7.00% Sterling retail bond was settled and funds fully drawn under a new $150.0 million term loan facility. Going forward, with a strong balance sheet, we have a fairway of opportunity to grow the business, ahead of debt maturities which are aligned in 2027.

Clearly, a volatile fiscal regime imposes significant challenges on any business and the extension of the EPL to 2029 announced in the Spring Budget represented the fourth amendment to UK sector taxation in the last two years. However, EnQuest has a track record of demonstrating resilience, creativity and adaptability and can generate opportunities in such circumstances. The EPL has resulted in a number of industry participants accelerating their shift in focus away from the UK North Sea. Our significant tax loss position and the impact of the EPL on marginal tax rates means that the transfer of assets to EnQuest ownership would increase their relative value to a multiple of that in the hands of existing owners. As such, I am confident we will grow the business through M&A, initially in the UK and then internationally.

Operational performance

EnQuest's average production was in line with the mid-point of guidance at 43,812 Boepd, underpinned by strong production uptime across the portfolio, including at Kraken where an efficient return to service of the FPSO following the anomalous failure of transformer units limited the impact on production. I was very proud of the EnQuest team which, working alongside the vessel owner, Bumi Armada, reinstated production on a single train basis within 30 days and then full production capacity in around two months.

The well programme at Magnus included the successful completion of the North West Magnus injector well, which came online in May to support the 2022 producer well, alongside two further infill wells which produced first oil in August and December, respectively. Demonstrating EnQuest's differentiated operating capability, Magnus production efficiency in 2023 was 88%, representing a 22% improvement versus 2022.

"Our differentiated operating capability and strong balance sheet make EnQuest the right operator for mature assets in the North Sea and beyond."

EnQuest operates the Sullom Voe Terminal on Shetland, which will be the focus of the Company's decarbonisation and new energy projects

Production
Boepd

43,812

Free cash flow
$ million

300.0

EnQuest net debt
$ million

480.9

In Malaysia, average production for the year was 7,437 Boepd, representing a 15% increase over 2022 volumes. This increase includes c.600 Boepd associated with Seligi 1a gas, to which Petronas holds the entitlement, and which is produced and handled by EnQuest in exchange for a gas handling and delivery fee, as well as strong operational performance and production uptime of 90%.

During 2023, we produced c.16 MMboe of our year-end 2022 2P reserves base. This reduction in 2P reserves was partially offset by transfers from 2C resources at Magnus, net of other technical revisions. As such, 2P reserves at the end of the year were around 175 MMboe, down from c.190 MMboe reported at the end of 2022. We continue to have material 2C resources of around 389 MMboe, with Bressay and Bentley each holding more than 100 MMboe of net 2C resources, while Magnus and Kraken in the UK and PM8/Seligi offshore Malaysia also hold material 2C resources.

The launch of Veri in December 2023 recognises that our position at SVT provides a strategically advantaged, sustainable and tangible basis upon which to expand the Group's role in the energy transition; a position which is predicated on a capital-light approach to investment and which was further enhanced by the award of four carbon storage licences in the North Sea Transition Authority's ('NSTA') first UK licensing round.

Our UK decommissioning team continued to demonstrate excellence in the execution of well P&A activities at an average cost of c.£2.5 million per well, significantly below the NSTA industry benchmark of c.£4.3 million. This programme saw the successful execution of 25 well P&As across the Heather and Thistle fields, exceeding the record for the most prolific multi-asset P&A campaign in the northern North Sea, previously set by EnQuest in 2022.

Financial performance

The Group's adjusted EBITDA and statutory gross profit decreased by 15.8% to $824.7 million and 17.2% to $540.7 million, respectively, reflecting lower realised oil prices and production. Operating costs for the year of $347.2 million were 12.4% lower than 2022, primarily due to lower diesel costs and higher lease charter credits associated with the unplanned downtime at Kraken. Unit operating costs decreased 3.5% to $21.9/Boe, reflecting the impacts on costs noted above. Cash generated from operations decreased to $854.7 million, down by 16.7% compared to 2022, although free cash flow generation remained robust, delivering $300.0 million.

The Group's continued solid financial and operating performance during the year drove further strengthening of the balance sheet and enabled the focus of the business to pivot to growth in 2024. We are also delighted to announce our first shareholder return programme and will deploy $15.0 million of capital in a share buyback programme during 2024.

Environmental, Social and Governance

The health, safety and wellbeing of our employees remains our top priority. In 2023, we delivered another upper quartile Lost Time Incident ('LTI') frequency[1] rate but were disappointed to see three LTIs during the year. We remain laser focused on SAFE Results with no harm to our staff and contractors and have engaged in a programme of intervention, assessing root causes of incidents and working closely with the contractors involved to ensure that everyone is aligned with our safety culture, trained on equipment and procedures and empowered to stop a task should a safer method be identified.

As outlined earlier, we have made excellent progress in reducing absolute Scope 1 and 2 emissions in recent years, with the Group's CO_2 equivalent emissions reduced by 23% since 2020 and the UK's emissions down by c.41% since 2018. This progress is significantly ahead of the Group's targeted reductions and those set by the UK Government's North Sea Transition Deal, providing a strong foundation for our commitment to reach net zero by 2040. Looking ahead, the Group has approved investments designed to reduce future carbon emissions and operating costs across the portfolio, including the new stabilisation facility and power generation projects at SVT and the potential gas tie-back solution from Bressay to Kraken. At the same time, we continue to optimise sales of Kraken cargoes directly to the shipping fuel market, avoiding emissions related to refining and helping reduce sulphur emissions.

This year saw a number of changes to our Board, with Non-Executive Directors Howard Paver, Carl Hughes and John Winterman stepping down, to be succeeded by Mike Borrell and Karina Litvack, although Karina unfortunately had to resign her position due to a conflict. I would like to thank Howard, Carl, John and Karina for their contributions, and I look forward to working with the refreshed Board as we execute on our growth strategy.

2024 performance and outlook

Production performance to the end of February was 44,498 Boepd. Our full-year net production guidance of between 41,000 and 45,000 Boepd includes the impacts from drilling campaigns at Magnus, PM8/Seligi and Golden Eagle and required maintenance activities across the portfolio.

Operating costs are expected to be approximately $415.0 million, while capital expenditure is expected to be around $200.0 million, with decommissioning expenditure expected to total approximately $70.0 million.

Longer-term development

Our strategy and business model have evolved to align to our aims of delivering value-driven growth and establishing EnQuest as a key player in a just energy transition. We have established a track record of executing acquisitions and optimising asset lives, underpinned by our operating capabilities and the transactional flexibility which is derived from our improved liquidity.

Our position as a top quartile operator, alongside our advantaged tax position in the UK, enhances our M&A credentials as a responsible owner and operator of existing assets and infrastructure as we transition to a lower-carbon energy system, offering our people long-term opportunities. We also believe that our core capabilities and top quartile operating performance can be replicated across other geographies as we seek to grow and diversify internationally.

2023 was a year of continued strong performance for the Group which was achieved with the support of all our stakeholders; our people, shareholders, investors, lenders, partners and suppliers. I thank all for their contributions throughout 2023 and I am excited about delivering EnQuest's next growth phase during this pivotal year.

2024 production guidance
Boepd

41,000–45,000

1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

How we are differentiated

Differentiated capability – case study

At Magnus, which celebrated its 40th anniversary during 2023, EnQuest's differentiated operating capability has delivered transformed performance

Following reduced investment and offshore resource restrictions during the low commodity price environment and COVID-19 pandemic in 2020, EnQuest has applied focused management of asset equipment to systematically eliminate vulnerabilities, primarily related to power generation and gas compression. 2023 production efficiency at Magnus was 88%, 22% higher than the 2022 equivalent. With significant drilling planned in 2024 and 2025, Magnus production is expected to grow year-on-year from 2022 to 2025.

EnQuest is a top quartile operator through the life cycle of maturing hydrocarbon assets and its compelling decarbonisation and new energy strategy is anchored in its unique infrastructure position and strong engineering and subsurface capability.

Read more in the Financial review **See Page 26**

1 Distinct skills and capabilities

- Top quartile performance across developments, wells, operations, decommissioning and technical support functions
- Transferable capabilities that can be applied across all aspects of the portfolio, different geographies and decarbonisation and new energy opportunities
- Highly skilled, dedicated teams with strong technical credentials

87%

Average asset production uptime during 2023

2 Industry leading sustainability credentials, with focus on safety

- Board-supported commitment to reach net zero with regard to Scope 1 and Scope 2 emissions by 2040; ten years ahead of UK target
- UK Scope 1 and Scope 2 emissions reduction of 41% versus 2018 baseline. EnQuest performance tracking significantly ahead of North Sea Transition Deal targets
- Lost time incident frequency of 0.52 in 2023. UK average is 1.31

41%

Reduction in UK Scope 1 and Scope 2 emissions versus 2018 baseline

3 Uniquely positioned to capitalise on transition projects

- EnQuest has exclusive right to develop new energy and decarbonisation projects at Sullom Voe Terminal
- Launched Veri Energy, a wholly owned EnQuest subsidiary, during 2023 to provide dedicated management of projects
- EnQuest will provide support in a capital-light manner, while enabling Veri Energy to leverage support from financial and strategic partnerships

10mtpa

Total anticipated annual carbon storage potential from CCS project

4 Differentiated UK tax positioning

- EnQuest holds significant UK tax loss position of $2.0 billion as at 31 December 2023
- Inclusion of the UK Energy Profits Levy enhances EnQuest's relative tax advantage versus full tax-paying peers
- EnQuest plans to accelerate tax loss benefit through acquisition of value-accretive assets, with immediate M&A focus in the UK

2.6x

Comparative cash flow due to tax advantage[1]

1 Based on a full UK tax payer retaining 25% post-tax income vs EnQuest retaining 65% post-tax income given CT/SCT tax loss position

5 Track record of delivering accretive acquisitions

- Since inception, EnQuest has extended the economic lives of all nine operated assets
- Asset acquisitions have typically achieved payback within 12-18 months
- Entrepreneurial, innovative approach taken to structure past deals with limited upfront consideration and focus on value

10+ years

Life extension achieved at Magnus, PM8/Seligi and Dons following acquisition

Key updates for 2023

Upstream

Managing assets to optimise production while exercising cost control and capital discipline

Read more in the Operational review
See Page 18

PROGRESS IN 2023

- Production of 41,000 to 45,000 Boepd
- Production of 43,812 Boepd in line with mid-point of 2023 guidance
- Top quartile production efficiency delivered across operated portfolio
- Exemplary reinstatement of Kraken production following anomalous failure of HSP transformers

OBJECTIVES FOR 2024

- Production guidance of 41,000 to 45,000 Boepd
- Multi-well drilling and wellwork programmes at Magnus, PM8/Seligi and Golden Eagle
- Planning work ahead of expected return to drilling at Kraken during 2025, as well as progress of gas well tie-back from Bressay to Kraken

Decommissioning

Demonstrating leadership in decommissioning - safely and efficiently executing abandonment activities

Read more in the Operational review
See Page 18

PROGRESS IN 2023

- Record-breaking well plug and abandonment ('P&A') performance, executing 25 wells across Heather and Thistle projects
- Per North Sea Transition Authority review data, EnQuest probabilistic average cost per well P&A is £2.5 million versus industry benchmark of £4.3 million
- All heavy lift contracts awarded for major removals projects
- Continued planning ahead of 33-well subsea decommissioning activities

OBJECTIVES FOR 2024

- Progress well P&A activity at Heather and Thistle ahead of planned completion by end of 1Q 2025
- Well P&A represents the critical path for these projects, but work will continue to plan for execution of heavy lifts during 2025 and 2026

Midstream and Veri Energy

Repurposing existing infrastructure to deliver new energy and decarbonisation opportunities at scale

Read more in the Operational review
See Page 18

PROGRESS IN 2023

- Launched Veri Energy, a wholly owned subsidiary of EnQuest, in December 2023
- Veri Energy will be responsible for the dedicated management of new energy and decarbonisation ambitions at Sullom Voe Terminal ('SVT')
- Awarded four carbon storage licences in NSTA's inaugural UK licensing round, as well as grant of £1.74 million in funding from UK Government to progress 50 MW green hydrogen project at SVT
- Midstream team progressing two major right-sizing projects at SVT. Together, these projects are expected to reduce terminal emissions by 90%

OBJECTIVES FOR 2024

- Progress phased decommissioning of SVT terminal facilities and major transformation projects, including completion of new stabilisation facility
- Active pursuit of financial and strategic partnerships within Veri Energy
- Continue to prioritise capital-light approach

Financial

Continuing to reduce debt while pursuing selective, capability-led and value-accretive acquisitions

Read more in the Financial review
See Page 26

PROGRESS IN 2023

- Free cash flow generation of $300.0 million, driving year-end net debt of $480.9 million
- Full repayment of reserve based lending facility ('RBL'), with year-end drawn balance of $140.0 million repaid during February 2024
- $150.0 million term loan facility replaced RBL borrowing base and aligned 2027 debt maturities
- Full-year expenditures delivered lower than guidance, driven by lower operating costs

OBJECTIVES FOR 2024

- Group entered 2024 with c.$500 million liquidity and clear target to deliver transformational growth
- Continue to de-leverage the Group's balance sheet through disciplined capital allocation
- Execute shareholder return programme, with $15.0 million share buyback programme approved to commence in 2024

Upstream operations

Steve Bowyer
General Manager, North Sea

UK Upstream operations[1]

Daily average net production (Boepd)

36,375

–11%
(2022: 40,801)

1 Includes Magnus, Kraken, Golden Eagle, the Greater Kittiwake Area including Scolty/Crathes and Alba

Malaysia operations

Daily average net production (Boepd)

7,437

+15%
(2022: 6,458)

Daily average net entitlement (Boepd)

4,552

(2022: 4,237)

2023 Group performance summary
Production of 43,812 Boepd reflected improved performances at Magnus and at PM8/Seligi, strong production uptimes across the operated portfolio and the Group's investment in low-cost, quick-payback drilling and wellwork campaigns, partially offsetting the impact of natural field declines.

Magnus

2023 performance summary
2023 production of 15,933 Boepd was 26% higher than the 2022 figure of 12,641 Boepd, driven by significantly improved production efficiency of 88% (2022: 66%) following improvements to rotating equipment performance, including gas compressors and power generation units. The Group executed an extensive wellwork programme, with three wells returned to service following P seal repair/replacement works, execution of a perforation scope and the completion of an infill drilling programme which included the North West Magnus injector in May and two further infill wells which came online in August and December, respectively. In addition, slot recovery activity continued to enable the delivery of future infill drilling opportunities, with the completion of the B6 well plug and abandonment ('P&A') during July 2023.

The planned annual maintenance shutdown was completed in 20 days, versus the original planned duration of 24 days, with all major scopes executed. The shutdown involved 10,000 manhours of work being completed with zero lost time incidents.

2024 outlook
The five-yearly rig recertification of the Magnus platform rig commenced in early January and is expected to run until the second quarter of 2024, with infill drilling activity to recommence thereafter. A shutdown of around three weeks is planned in the third quarter to complete scheduled safety-critical activities, while further asset integrity maintenance and plant improvement opportunities will continue to be assessed and implemented throughout the year in order to minimise platform vulnerability. It is anticipated that two wells will be drilled in the second half of 2024, with the expectation that Magnus production will be higher than 2023. With 2C resources of c.28 MMboe, Magnus offers the Group significant low-cost, quick payback drilling opportunities in the medium term.

Kraken

2023 performance summary
Average net production in 2023 was 13,580 Boepd (2022: 18,394 Boepd), which is reflective of high uptime before and after the anomalous failure of HSP transformer units during May. Working alongside the vessel owner, Bumi Armada, the EnQuest asset team exemplified differentiated operational capability by limiting the impact of this outage, resuming production on a phased basis within 30 days of the outage and then, through the refurbishment/rebuild and reinstatement of transformer units, returned Kraken to full production in early-August. Subsequently, the Group oversaw a return to top quartile performance, with the Floating, Production, Storage and Offloading ('FPSO') delivering production efficiency and water injection efficiency of 98% and 99%, respectively, for the final four months of the year. For the full year 2023, production efficiency was 86% (2022: 93%) and water injection efficiency was 85% (2022: 93%).

Production in the second half of the year benefited from the removal of two planned periods of single train operations, with the Group having executed maintenance work while production at the FPSO was shut-in. In addition, delivery and deployment of new HSP transformer units has provided increased resilience to production capacity, with further HSP and water injector transformer replacements planned during 2024.

The Group continues to optimise Kraken cargo sales into the shipping fuel market, with Kraken oil a key component of International Maritime Organization ('IMO') 2020 compliant low-sulphur fuel oil while avoiding refining-related emissions.

2024 outlook
No shutdown is planned during 2024 but it is expected that a ten-day period of single processing train operations will be undertaken in order to execute safety-critical maintenance work.

The Group has procured a mobile offshore drilling unit ahead of a planned return to drilling at Kraken during 2025. EnQuest will purchase selected long lead equipment during 2024 required to facilitate the two-well sidetrack programme. With c.33 MMboe of 2C resources, there remains significant opportunity in terms of main field side-track drilling opportunities, along with further drilling within the Pembroke and Maureen sands, while Kraken production will be subject to natural decline in 2024.

Golden Eagle

2023 performance summary
2023 net production was below the Group's expectations at 4,199 Boepd (2022: 6,323 Boepd), with asset production efficiency in excess of 90% (2022: 95%).

Following the arrival of the drilling rig in August 2023, drilling of the first well in the 2023-24 platform drilling programme commenced in October 2023 and the well was brought online in January 2024. This is the first well of an anticipated four-well programme, which is due to be completed in mid-2024.

2024 outlook
The operator has scheduled a shutdown of around one week in the summer of 2024, with subsequent major shutdowns expected to be required every two to three years.

Other North Sea assets

2023 performance summary
Production in 2023 averaged 2,663 Boepd (2022: 3,442 Boepd), largely in line with expectations and reflecting strong uptime of 83% (2022: 87%) at the Greater Kittiwake Area.

At Alba, performance continued largely in line with the Group's expectations.

Work continued towards the development of the wider Kraken area, including a Bressay gas tie-back solution and an early production solution project at Bressay, with RockRose Energy now a joint venture partner on the Bressay project with regulatory approval granted in March 2024.

2024 outlook
At GKA, a one-week shutdown is planned during the second quarter, as well as a short shutdown of related infrastructure.

At Bressay, EnQuest continues to actively explore further farm-down opportunities and development planning of the asset, with the aim to utilise its expertise in heavy oil developments to access the c.115 MMboe of 2C resources. In 2024, the Group aims to progress the tie-back of the Bressay field's gas cap to Kraken, displacing diesel that currently powers Kraken operations.

PM8/Seligi

2023 performance summary
Average production of 7,437 Boepd was 15% higher than 2022. This increase includes 604 Boepd associated with Seligi 1a gas, to which Petronas holds the entitlement, and which is produced and handled by EnQuest in exchange for a gas handling and delivery fee, as well as strong operational performance and production uptime of 90% (2022: 86%).

Following the drilling of the commitment well at Block PM409, the well was plugged and abandoned dry. Following confirmation from Petronas that all well requirements had been met by EnQuest, no further drilling is planned for PM409.

2024 outlook
A two-week shutdown at PM8/Seligi to undertake asset integrity and maintenance activities is planned for the summer, which will help to improve reliability and efficiency at the field. To further improve compressor reliability, turbine control panel upgrade is planned for the second train at the end of the third quarter.

The Group plans to drill three infill wells and deliver three well workovers, with six wells to be plugged and abandoned. These well programmes will mobilise at the end of the first quarter of the year.

EnQuest has significant 2P reserves and 2C resources of c.28 MMboe and c.80 MMboe, respectively, with future multi-well annual drilling programmes planned. The Group continues to work with the regulator to assess the opportunity to develop the additional gas resource at PM8/Seligi to meet forecast Malaysian demand.

"We continue to demonstrate our differentiated, top quartile operating capability and are focused on leveraging this capability to deliver transformational, value-driven growth through acquisition, and to mature our organic opportunity set, as we become a production operator of scale."

Steve Bowyer
North Sea General Manager

CASE STUDY

Kraken FPSO reinstatement

Differentiated operational capability

The production reinstatement project undertaken at Kraken, following the anomalous failure of HSP transformer units, illustrates the differentiated operational capability which exists at the heart of everything we do.

Working alongside the vessel owner, Bumi Armada, the EnQuest asset team mitigated a potentially significant impact on production, initially on a single train basis and then quickly ramping up to full production, through the efficient and effective refurbishment and reinstatement of damaged transformer units.

New transformer units were proactively procured as critical spares, providing further resilience to production capacity. The Group reacted quickly to further mitigate production losses by executing maintenance work, originally planned for the Q3 shutdown, during the outage period.

Following the reinstatement of full production at Kraken, the asset has delivered near-perfect uptime.

Decommissioning

John Allan
Decommissioning Director

Decommissioning operations

Thistle: successfully abandoned

13

wells while Heather executed

12

wells, with partial completion of a further two wells by year end

Performance summary

Within EnQuest's decommissioning team, 2023 represented another year of record-breaking delivery, enhancing the Group's strong track record of executing multi-asset abandonment campaigns. As the Thistle and Heather project teams look ahead to the culmination of the respective well plug and abandonment ('P&A') campaigns, preparation is underway for the 2025 removals programmes at these two major platforms in the North Sea.

Well decommissioning

At both the Heather and Thistle fields, the extensive programme of well P&A continued apace throughout the year. Thistle successfully abandoned 13 wells whilst Heather completed 12 wells by year end, while a further well at each asset was partially completed as at 31 December 2023. In addition to the completion of 25 well abandonments across the two platform rigs, the Thistle project team implemented a third activity string, in the form of a hydraulic workover unit, to accelerate the recovery of conductors on available wells. This resulted in seven wells being abandoned to the final stage of the well P&A process, which focuses on removing the surface infrastructure and ensuring the well poses no future environmental or safety risks, reducing the critical path of the main rig activity and resulting running costs of the asset.

Both the Thistle and Heather project teams are targeting completion of their well P&A campaigns by the end of the first quarter of 2025 and remain on target to permanently disembark the respective platforms later that year.

Throughout 2023, EnQuest has also progressed the detailed engineering work on the subsea wells at Alma Galia, Dons and Broom, while continuing to discuss the future work programmes with the North Sea Transition Authority.

Preparation for removal

Beyond well P&A activity, the Heather project team plans to execute multiple work scopes in 2024, including the flushing of pipelines, preparing the Broom riser for decommissioning and other engineering and cleaning scopes.

In the second half of the year, the contract award for the disposal of the Heather topsides was awarded, while the removal of the platform topsides will be completed in a single lift in 2025 utilising the Pioneering Spirit heavy lift vessel ('HLV').

At Thistle, the project team demonstrated its capability by delivering multiple key scopes. Subsea campaigns covering essential IRM activities, preparatory work for conductor removal and the flushing and final disconnection of pipeline PL166 were all completed successfully. The team also engaged a conductor pulling unit, which enabled simultaneous P&A operations alongside the main rig.

Following an extensive commercial exercise, EnQuest awarded the contract for the Thistle topsides and jacket Engineering, Preparation, Removal and Disposal ('EPRD') works to Saipem. The removal operations are due to take place from 2026 onwards and will see all 32 modules of the Thistle platform lifted onto the semi-submersible heavy lift vessel S7000 and returned to shore in four separate voyages.

Throughout 2024, the project teams across Heather and Thistle will be focused on the engineering required to prepare for the heavy lift operations as well as exploring opportunities to further optimise schedule, cost and delivery targets where possible.

Given increased competition in the heavy lift vessel market, with the evolution of several large-scale renewable projects being sanctioned by the governments of European countries, EnQuest will manage the execution of the heavy lift scopes within multi-year windows so as to retain flexibility and mitigate availability concern.

CASE STUDY

Excellence in decommissioning

Thistle simultaneous operations

In early 2023, the Thistle decommissioning team identified an opportunity to accelerate plans to utilise a hydraulic workover unit ('HWU') at Thistle to work alongside the main platform rig. The idea was that the HWU could commence phase 3 abandonment activities (primarily conductor pulling) in parallel to critical path well plug and abandonment tasks being undertaken on the main rig. This plan removed activity from the main rig programme, reducing time on the project critical path and reducing risk to the schedule.

Commitment to execution

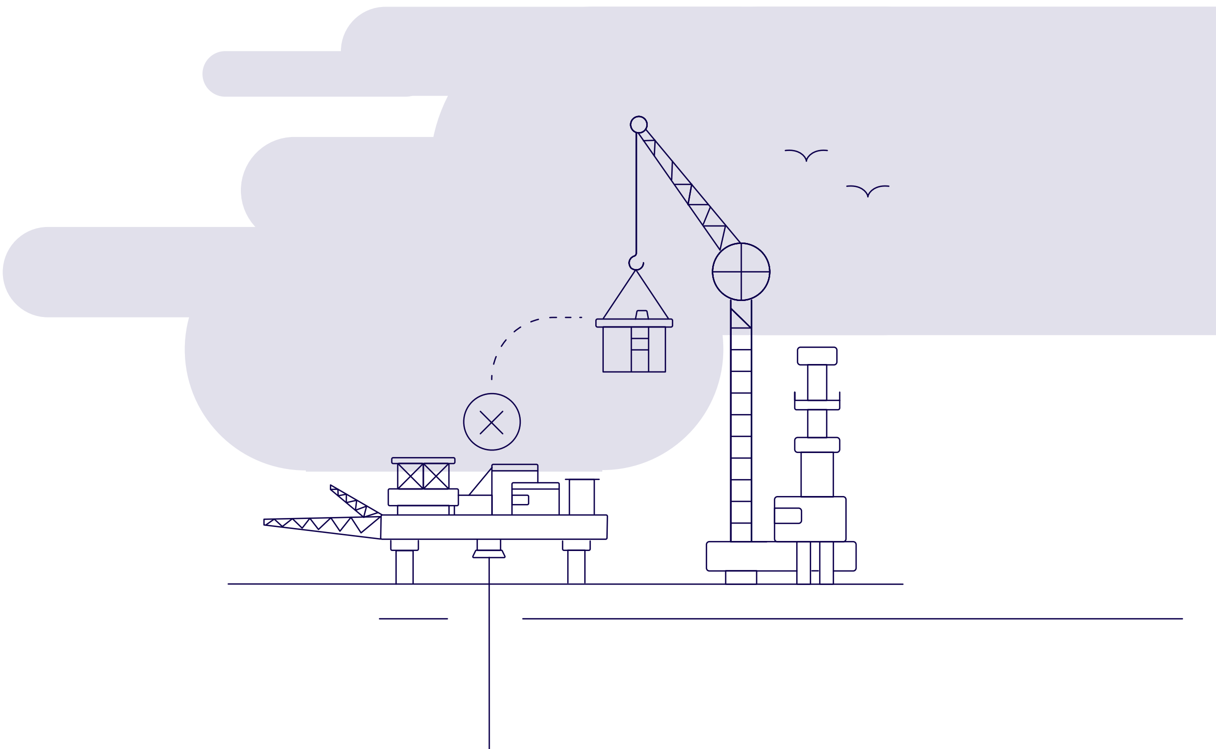
The project team worked diligently to assess HWU options and market offers, agree funding approvals with decommissioning partners, and then execute mobilisation and construction of the 300 tonne HWU. The unit was mobilised in July and was operational on Thistle activity in August. In all, seven conductors were removed during 2023 and significant learnings were taken from the campaign, which sets us up well for the 2024 programme.

> "2023 was a year of record-breaking performance as EnQuest demonstrated its capability as a North Sea decommissioning leader."

John Allan
Decommissioning Director

Collaborative approach

This project enhancement was delivered against a tight timeline and required a collaborative effort from colleagues across operations, wells, logistics, supply chain and, of course, the core Thistle project team, alongside the contractor, WellGear.



Infrastructure – Midstream

Salman Malik
CEO, Veri Energy

Within its Midstream directorate, EnQuest operates the Sullom Voe Terminal ('SVT') on Shetland and around 1,000km of pipelines.

Safe, stable operations

Throughout 2023, the Group continued to deliver safe, stable and effective operations for both East of Shetland and West of Shetland oil and gas, delivering 100% uptime for both oil streams, and 99% uptime for West of Shetland gas. In addition, the SVT power station achieved 100% power delivery throughout the period. The terminal, which celebrated its 45th anniversary of oil production in November 2023, also achieved four million man hours Lost Time Incident ('LTI') free during the third quarter of 2023.

Decarbonisation

The Group is focused on right-sizing SVT for future operations. During 2023, EnQuest successfully matured and gained support for two strategic projects: to connect the terminal to the UK's electricity grid and the construction of new stabilisation facilities ('NSF'). Completion of the NSF is expected to enable the Group to meet the North Sea Transition Authority ('NSTA') target of zero routine flaring obligations by 2030 while, taken together, delivery of these two projects is expected to result in a 90% reduction in overall emissions from SVT and the Engie-operated Sullom Voe power station. The anticipated reduction in future emissions set out within these projects led to EnQuest's SVT operation being shortlisted for a 2023 Offshore Energies UK Decarbonisation Award.

EnQuest has awarded a strategic contract for the phased partial decommissioning of the existing oil stabilisation and processing facilities. This will create space onsite for future new energy projects such as carbon storage, the production of green hydrogen and offshore electrification.

People and community

The Group has an established apprentice programme at SVT, with three apprentices successfully graduating in 2023. Further, EnQuest renewed a four-year programme which enables apprentices to be sponsored at the terminal, with the adoption of one apprentice into the programme due to his site-based experience. Separately, the Group launched a new graduate programme in 2023, with two graduates recruited into SVT, one of whom is a resident of Shetland. Also in 2023, the programme's most recent graduate attained Chartered Engineer status with the Institution of Chemical Engineers.

> **"A credible transition plan is the new licence to operate and Veri Energy will be fundamental to the Group's decarbonisation ambitions."**
> **Salman Malik**
> CEO, Veri Energy

CASE STUDY

Veri Energy

Under the stewardship of EnQuest's former CFO, Salman Malik, the Group's wholly owned subsidiary Veri Energy ('Veri') was launched in December 2023. The company is responsible for the Group's infrastructure and new energy business with a focused management structure.

Veri Energy Projects

Carbon storage licences awarded by NSTA in 2023

4

This is a logical next step in the strategic evolution of EnQuest's ambitions to progress world scale decarbonisation and new energy projects, including carbon capture and storage, green hydrogen, and electrification at the Sullom Voe Terminal in a capital-light manner, while providing Veri the opportunity to leverage support from financial and strategic partnerships.

Key projects

Carbon capture and storage ('CCS')

Veri Energy is seeking to develop a flexible carbon storage solution that can transport and permanently store up to 10mtpa of CO_2 from isolated emitters in the UK and Europe. CO_2 captured by emitters will be transported via ship to SVT from where it will be transported, via repurposed pipeline infrastructure, for permanent geological storage in depleted oil and gas reservoirs.

In August 2023, EnQuest successfully secured carbon storage licences as part of the first round of UK carbon sequestration licences issued by the North Sea Transition Authority ('NSTA'). The licence areas CS013, CS014, CS015 and CS016 are some 99 miles northeast of Shetland and include fields currently operated by EnQuest, the Magnus and Thistle fields, as well as the non-operated Tern, Otter and Eider fields. These sites are large, well-characterised deep storage formations connected by significant existing infrastructure to the Sullom Voe Terminal on Shetland.

Green hydrogen

Veri Energy is progressing evaluation of a 50 megawatt green hydrogen project at Sullom Voe. In February 2024, Veri received an award of £1.74 million in grant funding from the UK government's Net Zero Hydrogen Fund ('NZHF') to support a front-end engineering and design study for the project.

Renewable power

Veri Energy is also exploring the potential to develop renewable power to provide electrification for existing and prospective oil and gas facilities.

CCS project storage
Up to (mtpa)

10

Total storage potential
In excess of (mtpa)

500

Oil and gas reserves and resources

ENQUEST OIL AND GAS RESERVES AND RESOURCES

	UKCS		Other regions		Total
	MMboe	MMboe	MMboe	MMboe	MMboe
Proven and probable reserves[1, 2, 3]					
At 31 December 2022		160		30	190
Revisions of previous estimates	(4)		(0)		
Transfers from contingent resources[4]	4		0		
		0		0	0
Production:					
Export meter	(13)		(3)		
Volume adjustments[5]	0		–		
		(13)		(3)	(16)
Total proven and probable reserves at 31 December 2023[6, 7]		147		28	175
Contingent resources[1, 2, 8, 10]					
At 31 December 2022		312		81	393
Promoted to reserves[9]		(4)		0	(4)
Total contingent resources at 31 December 2023[10]		308		81	389

Notes:
1 Reserves and resources are quoted on a working interest basis
2 Proven and probable reserves and contingent resources have been assessed by the Group's internal reservoir engineers, utilising geological, geophysical, engineering and financial data
3 The Group's proven and probable reserves have been audited by a recognised Competent Person in accordance with the definitions set out under the 2018 Petroleum Resources Management System and supporting guidelines issued by the Society of Petroleum Engineers
4 Transfers from 2C resources at Magnus
5 Correction of export to sales volumes
6 The above proven and probable reserves include volumes that will be consumed as fuel gas, including c.6.9 MMboe at Magnus, c.0.8 MMboe at Kraken, c.0.3 MMboe at Golden Eagle and c.0.1 MMboe at Scolty Crathes
7 The above proven and probable reserves on an entitlement basis is 165 MMboe (UKCS 147 MMboe and other regions 18 MMboe)
8 Contingent resources are quoted on a working interest basis and relate to technically recoverable hydrocarbons for which commerciality has not yet been determined and are stated on a best technical case or 2C basis
9 Magnus COP extension
10 2C contingent resources at 31 December 2023 do not reflect the transfer of a 15.0% share in the Bressay licence to RockRose that completed in March 2023
11 Rounding may apply

Hydrocarbon assets

ENQUEST'S ASSET BASE AS AT 31 DECEMBER 2023

Licence	Block(s)	Working interest (%)	Name	Decommissioning obligation (%)
UK North Sea Upstream production and development				
P193	211/7a & 211/12a	100.0[1]	Magnus	30.0[2]
P1077	9/2b	70.5	Kraken & Kraken North	As per working interests
P1107/P1617	21/8a, 21/12c & 21/13a	50.0	Scolty/Crathes	As per working interests
P238	21/18a, 21/19a & 21/19b	50.0	Kittiwake	25.0
		50.0	Mallard	30.9
		50.0	Grouse & Gadwall	As per working interests
P073	21/12a	50.0	Goosander	As per working interests
P213[3]	16/26a	8.0	Alba	As per working interests
P234/P493/P920/P977	3/28a, 3/28b, 3/27b, 9/2a, 9/3a	85[4]	Bressay	
P1078	9/3b	100	Bentley	
P300/P928[3]	14/26a, 20/1a	26.69	Golden Eagle	
UK North Sea Decommissioning				
P242	2/5a	n/a	Heather	37.5
P242/P902	2/5a & 2/4a	n/a	Broom	63.0
P475	211/19s	n/a	Thistle	6.1[5]
P236	211/18a	n/a	Thistle/Deveron	6.1[5]
P236	211/18c	n/a	Don SW & Conrie	60.0
P236/P1200	211/18b & 211/13b	n/a	West Don	78.6
P2137	211/18e & 211/19c	n/a	Ythan	60.0
P1765/P1825	30/24c & 30/25c, 30/24b	n/a	Alma/Galia	65.0
Other UK North Sea licences				
P90[3]	9/15a	33.3		n/a
Malaysia production and development				
PM8/Seligi[6]	PM8 Extension	50.0	Seligi, North & South Raya, Lawang, Langat, Yong & Serudon	50.0
PM409 PSC	PM409	85.0	Kecubung, Tinggi Timur, Payung, NW Pinang, Tg. Pulai, Ophir	n/a

Notes:
1 bp has a security over the Magnus asset (and related infrastructure assets) and is entitled to 37.5% of free cash flow from the assets subject to the terms of the transaction documents between bp and EnQuest
2 bp has retained the decommissioning liability in respect of the existing Magnus wells and infrastructure. EnQuest will pay bp additional deferred consideration by reference to 30% of bp's actual decommissioning costs on an after-tax basis, which EnQuest estimates will result in a payment equivalent to approximately 9% of the gross estimated decommissioning costs. The additional consideration payable is capped at the amount of cumulative positive cash flows received by EnQuest from Magnus, SVT and the associated infrastructure assets
3 Non-operated
4 In December 2023, EnQuest completed a transaction to sell 15% of the working interest in the Bressay licences to RockRose UKCS 10 Ltd, a subsidiary of Viaro Energy
5 EnQuest is liable for the decommissioning costs associated with investment since it assumed operatorship, with the balance remaining with the former owners. Following the exercise of the Thistle decommissioning options in January and October 2018, EnQuest will undertake the management of the physical decommissioning of Thistle and Deveron and is liable to make payments to bp by reference to 7.5% of bp's decommissioning costs of Thistle and Deveron, which equates to 6.1% of the gross decommissioning costs
6 The official reference is PM-8 Extension PSC, commonly referred to elsewhere as PM8/Seligi

Improved liquidity position

Jonathan Copus
Chief Financial Officer

Free cash flow $ million[1]	EnQuest net debt $ million[1]
300	481

Introduction

Strong free cash flow generation in the period of $300.0 million (2022: $518.9 million) drove a reduction in EnQuest net debt of 32.9%, to $480.9 million (31 December 2022: $717.1 million). At 31 December 2023, the Group's leverage ratio was 0.6x, close to its target of 0.5x, while cash and available facilities had increased to $498.8 million (2022: $348.9 million) with all debt now maturing in 2027.

During December, EnQuest announced the sale of a 15.0% equity share in the Bressay licence and the EnQuest Producer Floating, Production, Storage and Offloading ('FPSO') for a total consideration of £46.0 million (c.$57.0 million). Subsequently, the Group received $85.6 million for a 15.0% farm-down of capital items identified as suitable for use on the Bressay development. Through these transactions the Group has realised near-term value, expecting to yield c.$58.0 million post-tax cash flow in 2024, and delivered an important step in moving the project forward.

The Group's improved balance sheet, liquidity position and significantly advantaged tax position means EnQuest is well placed to pursue growth opportunities and deliver its first programme of shareholder returns, committing to a $15.0 million buy back that will be completed during 2024.

Income statement

Revenue

Group production averaged 43,812 Boepd, with strong uptimes across the portfolio and investment in low-cost, quick-payback drilling and wellwork campaigns partially offsetting the impact of natural field declines (2022: 47,259 Boepd).

Brent prices in the period averaged $82.5/bbl (18.2% below 2022: $100.8/bbl) and the average day ahead gas price decreased to 98.9p/Therm (51.4% below 2022: 203.5p/Therm). Pre-hedging, the average oil price realised by EnQuest was $82.2/bbl (19.9% below 2022: $102.6/bbl). Post-hedging, realised oil prices averaged $81.4/bbl, narrowing the discount year-on-year to 8.4% (2022: $88.9/bbl).

Reflecting these drivers, reported revenue totalled $1,487.4 million, a 19.8% decline on 2022 ($1,853.6 million). Within this figure, oil sales accounted for $1,127.4 million, 25.7% below 2022 ($1,517.7 million).

Realised losses on commodity hedges totalled $11.3 million (2022: losses of $203.7 million). Unrealised gains on these contracts (from mark-to-market movements) totalled $28.5 million (2022: unrealised gains of $14.5 million).

Revenue from the sale of condensate and gas, totalling $339.0 million (2022: $514.2 million), primarily relates to the onward sale of third-party gas that was not required for injection activities at Magnus. The contribution from these third-party gas volumes is offset in Cost of sales. Tariffs and other income generated a further $3.8 million (2022: $11.0 million), including income from the transportation of Seligi associated gas.

Cost of sales

	2023 $ million	2022 $ million
Production costs	**308.3**	347.8
Tariff and transportation expenses	**41.7**	43.3
Realised (gain)/loss on derivatives related to operating costs	**(2.8)**	5.4
Operating expenditures[1]	**347.2**	396.5
Charge/(credit) relating to the Group's lifting position and inventory	**(4.2)**	(15.6)
Other cost of operations	**305.9**	487.9
Depletion of oil and gas assets	**292.2**	327.0
Other cost of sales	**5.7**	4.9
Cost of sales	**946.8**	1,200.7
Unit operating cost[2,3]	**$/Boe**	$/Boe
– Production costs	**19.3**	20.2
– Tariff and transportation expenses	**2.6**	2.5
Average unit operating cost	**21.9**	22.7

The Group demonstrated effective cost control to mitigate the effects of underlying inflationary pressures, through extensive supplier engagement and agreeing fixed rate contracts for certain services, and the strengthening Sterling to US Dollar exchange rate with the Group's foreign exchange hedging delivering gains of $5.2 million in the period, noting c.83% of Group operating costs are denominated in Sterling.

Group operating costs of $347.2 million were 12.4% lower than in 2022 ($396.5 million), with unit operating costs (excluding foreign exchange hedging) decreasing to $21.9/ Boe (2022: $22.7/Boe). The reduction in operating costs was driven by work programme optimisation across the portfolio, higher lease charter credits and lower diesel costs at Kraken.

Other costs of operations of $305.9 million were significantly lower than in 2022 ($487.8 million), driven predominantly by lower gas prices impacting the cost of Magnus-related third-party gas purchases which are sold on, of $294.0 million (2022: $452.8 million).

Depletion expense of $292.2 million was 10.6% lower than in 2022 ($327.0 million), mainly reflecting the impact of lower production.

Impairment

In the period, the Group recognised a non-cash net impairment charge of $117.4 million (2022: $81.0 million charge). This charge primarily reflected production and cost profile updates on non-operated assets, partially offset by higher forecast long-term oil prices.

Other income and expenses

The Group has recognised net income in the period of $39.3 million (2022: net expense of $152.4 million).

The periodic review of the net fair value of the contingent consideration owed to bp relating to the Magnus acquisition led to $69.7 million of non-cash income (2022: $232.5 non-cash expense), driven by adjustments to the discount rate (2023: 11.3%, 2022: 10.0%) and forward cost assumptions, partially offset by higher forecast oil prices.

Against a backdrop of inflationary pressures and Sterling strengthening against the US Dollar, a non-cash charge of $32.8 million has been recognised to reflect a net increase in the decommissioning provision of fully impaired non-producing assets (including the Thistle decommissioning linked liability) (2022: non-cash income of $42.8 million, driven by an increase in the discount rate applied and Sterling weakening against the US Dollar).

Also included within other expenses are costs associated with EnQuest's Veri Energy business of $1.6 million (2022: $1.2 million).

Adjusted EBITDA[1]

	2023 $ million	2022 $ million
Profit from operations before tax and finance income/(costs)	**456.2**	411.9
Unrealised hedge gain	**(28.5)**	(14.5)
Depletion and depreciation	**298.3**	333.2
Impairment	**117.4**	81.0
Net other (income)/expense	**(33.7)**	183.1
UKA forward purchase losses	**3.8**	4.9
Change in well inventories	**(0.6)**	0.8
Net foreign exchange loss/(gain)	**11.8**	(21.3)
Adjusted EBITDA[1]	**824.7**	979.1

Adjusted EBITDA was $824.7 million, down 15.8% compared to 2022 ($979.1 million).

Finance costs

The Group's overall finance costs of $230.9 million were 8.6% higher than in 2022 ($212.6 million).

The net effect from the reduction in the Group's outstanding loans and borrowings and higher prevailing interest rates, resulted in a higher overall interest charge for 2023 of $89.7 million (2022: $77.2 million) - although this was partially offset by lower fees associated with the Group's refinancing activities (2023: $7.9 million; 2022: $35.3 million).

Finance charges were also higher due to the unwinding of discounting on contingent consideration related to the acquisition of Magnus (2023: $58.9 million; 2022: $36.4 million) and decommissioning and other provisions (2023: $25.4 million; 2022: $17.8 million).

Other charges included in finance costs are lease liability interest of $43.8 million (2022: $39.2 million) and other financial expenses of $5.3 million (2022: $6.8 million), primarily being the cost for surety bonds to provide security for decommissioning liabilities.

Notes:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP Measures' starting on page 193
2 Calculated on a working interest basis
3 Excludes realised (gain)/loss on derivatives related to operating costs

Profit/loss before tax
Reflecting the movements above, the Group's profit before tax of $231.8 million was $28.6 million higher than 2022 ($203.2 million).

Taxation
The 2023 tax charge was impacted by the first full year of the UK Energy Profits Levy ('EPL') at the higher rate of 35% (2022 reflected seven months of UK EPL at 25%).

The $262.6 million total tax charge includes a $77.2 million EPL charge, which is calculated on a higher profit before tax, and the impact of limited corporation and supplementary corporation tax relief on impairments related to assets where historical initial recognition exemptions for deferred tax have already been applied (2022: $244.4 million tax charge, which included the initial recognition of a $178.8 million non-cash deferred tax liability associated with the EPL partially offset by a credit for the non-cash recognition of undiscounted deferred tax assets of $127.0 million).

The Group's effective tax rate for the period was a charge of 113.3% (2022: charge of 120.3%).

EnQuest has recognised UK North Sea corporate tax losses of $2,007.9 million at 31 December 2023 - the reduction in the period reflecting utilisation of ring-fence corporation tax losses against the Group's profits before tax. Unrecognised tax losses are disclosed in note 7(d) on page 157.

Due to this recognised tax loss position, no significant corporation tax or supplementary charge is expected to be paid on UK operational activities for the foreseeable future.

The Group paid its 2022 EPL charge in October 2023 and is expected to make further EPL payments in October each year for the duration of the levy. The Group also paid cash corporate income tax on the Malaysian assets, which will continue throughout the life of the Production Sharing Contract.

Profit/loss for the year
The Group's total loss after tax was $30.8 million (2022: loss of $41.2 million). The high effective tax rate was primarily driven by the current tax impact of the EPL, reflecting its high level of non-deductible expenditures related to financing and decommissioning costs, and limited corporation and supplementary corporation tax relief on impairments related to assets where historical initial recognition exemptions have been applied.

Earnings per share
The Group's reported basic loss per share was 1.6 cents (2022: loss of 2.2 cents) and reported diluted loss per share was 1.6 cents (2022: loss of 2.2 cents).

Cash flow, EnQuest net debt and liquidity
Reflecting strong free cash flow generation in 2023 of $300.0 million (2022: $518.9 million), EnQuest net debt at 31 December 2023 amounted to $480.9 million, a $236.2 million year-on-year reduction (31 December 2022: $717.1 million). The movement in EnQuest net debt was as follows:

	$ million
EnQuest net debt 1 January 2023	**(717.1)**
Net cash flows from operating activities	754.2
Cash capital expenditure	(152.2)
Magnus profit share payments	(65.5)
Golden Eagle contingent consideration payment	(50.0)
Finance lease payments	(135.7)
Proceeds from farm-down	141.4
Vendor financing facility	(141.4)
Net interest and finance costs paid	(100.0)
Other movements, including net foreign exchange on cash and debt	(14.6)
EnQuest net debt 31 December 2023[1]	**(480.9)**

Note:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP Measures' starting on page 193

The Group's reported net cash flows from operating activities were $754.2 million, down 19.0% compared to 2022 ($931.6 million). The overall reduction was primarily driven by lower revenue, partially offset by lower cash opex.

In line with guidance, the Group's reported net cash flows used in investing activities increased $101.5 million to $262.7 million (2022: $161.2 million). This increase principally reflects: higher capital expenditures of $152.2 million (2022: $115.8 million), which primarily related to the Magnus, Golden Eagle and Malaysia well campaigns and Sullom Voe Terminal projects; the final Golden Eagle Contingent consideration payment ($50.0 million) and an additional $19.5 million of Magnus profit share payments (2023: $65.5 million; 2022: $46.0 million).

Cash outflow on capital expenditure is set out in the table below:

	Year ended 31 December 2023 $ million	Year ended 31 December 2022 $ million
North Sea	**124.2**	85.5
Malaysia	**21.0**	26.5
Exploration and evaluation	**7.0**	3.8
	152.2	115.8

With the Bressay-related farm-down proceeds offset by a vendor financing facility of $141.4 million (from EnQuest to RockRose, arranged to manage the companies' respective working capital positions), the Bressay transactions were net debt neutral at 31 December 2023. In the first quarter of 2024, EnQuest received $108.8 million repayment of the vendor financing facility. The remaining amount ($36.3 million) is repayable through net cash flows from the Bressay field in accordance with the agreed payment schedule. In the event, however, that the project does not achieve regulatory approval, there remains an option to deploy the assets on alternative projects. As such, proceeds from the transaction are reported within deferred income on the balance sheet.

The Group utilised $478.6 million of cash in financing activities (2022: $731.2 million) - including further net repayments of the Group's loans and borrowings totalling $237.1 million (2022: $479.8 million). In this figure, $260.0 million of the Group's RBL facility was repaid, the October 2023 7.00% Sterling retail bond was settled (£111.3 million) and funds were fully drawn under a new $150.0 million term loan facility.

Associated with these borrowings, interest costs totalled $105.9 million (2022: $103.4 million). In the year, $135.7 million was also paid on finance leases (2022: $148.0 million).

	EnQuest net debt[1] 31 December 2023 $ million	31 December 2022 $ million
Bonds	**474.7**	600.7
RBL	**140.0**	400.0
Term loan	**150.0**	0.0
SVT working capital facility	**29.8**	12.3
Vendor loan facility	**-**	5.7
Cash and cash equivalents	**(313.6)**	(301.6)
EnQuest net debt	**480.9**	717.1

Note:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP Measures' starting on page 193

The Group ended the year with $313.6 million of cash and cash equivalents (2022: $301.6 million), and cash and available facilities totalling $498.8 million (2022: $348.9 million), with the Group's refinancing activities extending the Group's debt maturities to 2027.

In the first quarter of 2024, EnQuest repaid the outstanding $140.0 million principal on its RBL facility. The facility remains available to EnQuest for future drawdown.

Balance sheet
The Group's strong cash generation, improved liquidity position, including extended maturities of its available debt facilities, and UK tax advantage, means EnQuest is well positioned to continue delivering its foundation programmes of capital investment – whilst also pursuing transformational North Sea and international production acquisitions, and delivering its first programme of shareholder returns.

Assets
Total assets at 31 December 2023 reduced by 6.4% to $3,765.8 million (2022: $4,024.3 million). This movement is primarily driven by: a reduction of $165.7 million in the Group's deferred tax asset (largely reflecting the impact of utilising ring-fence corporation tax losses in the period (see note 7)); lower net PP&E of $180.2 million, including a non-cash net impairment charge of $117.4 million (see note 10); and a partial offset from recognition of the Bressay vendor financing facility receivable of $145.1 million (see note 19).

Liabilities
Total liabilities reduced by 6.5% to $3,309.0 million (2022: $3,540.0 million) - the Group continued to make material repayments of its debt, resulting in a materially lower carrying value of $775.2 million (2022: $1,000.3 million) (see note 18).

Contingent consideration payments related to the acquisitions of Magnus and Golden Eagle totalled $115.5 million (2022: $46.0 million for Magnus, nil for Golden Eagle), and a net change in the fair value estimate for Magnus resulted in a lower outstanding contingent consideration estimate of $507.8 million (2022: $636.9 million) (see note 22).

Offsetting these reductions are a $57.7 million net increase in the Group's current and deferred tax liabilities - UK EPL driving a higher income tax payable provision of $185.5 million (2022: $39.2 million payable) offset by a $88.7 million lower deferred tax liability of $77.6 million (2022: $166.3 million).

Financial risk management
The Group's activities expose it to various financial risks particularly associated with fluctuations in oil price, foreign currency risk, liquidity risk and credit risk. The disclosures in relation to financial risk management objectives and policies, including the policy for hedging, and the disclosures in relation to exposure to oil price, foreign currency and credit and liquidity risk, are included in note 28 of the financial statements.

Going concern disclosure
In recent years, given the prevailing macroeconomic and fiscal environment, the Group has prioritised deleverage - reducing gross debt (excluding leases) by c.$1.4 billion since 2017 to $794.5 million at 31 December 2023. During 2023, EnQuest net debt was reduced by $236.2 million (to $480.9 million) and the Group strengthened its net debt to adjusted EBITDA ratio to 0.6x, close to EnQuest's target of 0.5x. In this 12-month period, cash and available facilities increased by $149.9 million, to $498.8 million at 31 December 2023, and medium-term liquidity is secured, with all the Group's debt maturities now in 2027.

Against this robust backdrop, EnQuest continues to closely monitor and manage its funding position and liquidity risk throughout the year, including monitoring forecast covenant results, to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced and sensitivities considered for, but not limited to, changes in crude oil prices (adjusted for hedging undertaken by the Group), production rates and costs. These forecasts and sensitivity analyses allow management to mitigate liquidity or covenant compliance risks in a timely manner.

The Group's latest approved business plan underpins management's base case ('Base Case') and is in line with the Group's production guidance using oil price assumptions of $80.0/bbl for 2024 and $75.0/bbl for 2025.

A reverse stress test has been performed on the Base Case indicating that an average oil price of c.$63.0/bbl over the going concern period maintains covenant compliance, reflecting the Group's strong liquidity position.

The Base Case has also been subjected to further testing through a scenario reflecting the impact of the following plausible downside risks (the 'Downside Case'):
- 10% discount to Base Case prices resulting in Downside Case prices of $72.0/bbl for 2024 and $67.5/bbl for 2025;
- Production risking of 5.0%; and
- 2.5% increase in operating, capital and decommissioning expenditure

The Base Case and Downside Case indicates that the Group is able to operate as a going concern and remain covenant compliant for 12 months from the date of publication of its full-year results.

After making appropriate enquiries and assessing the progress against the forecast and projections, the Directors have a reasonable expectation that the Group will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Viability statement

The Directors have assessed the viability of the Group over a three-year period to March 2027. The viability assumptions are consistent with the going concern assessment, with the additional inclusion of an oil price of $75.0/bbl for 2026 and 2027 in the Base Case and consistent plausible downside risks applied in a Downside Case. This assessment has taken into account the Group's financial position as at 27 March 2024, its future projections and the Group's principal risks and uncertainties.

The Directors' approach to risk management, their assessment of the Group's principal risks and uncertainties, which includes potential impacts from climate change concerns and related regulatory developments, and the actions management is taking to mitigate these risks are outlined on pages 46 to 64. The period of three years is deemed appropriate as it is the time horizon across which management constructs a detailed plan against which business performance is measured. Under the Group's Base Case projections, the Directors have a reasonable expectation that the Group can continue in operation and meet its liabilities as they fall due over the period to March 2027.

For the current assessment, the Directors also draw attention to the specific principal risks and uncertainties (and mitigants) identified below, which, individually or collectively, could have a material impact on the Group's viability during the period of review. It is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. The impact of these risks and uncertainties has been reviewed on both an individual and combined basis by the Directors, while considering the effectiveness and achievability of potential mitigating actions.

Oil price volatility

A decline in oil prices would adversely affect the Group's operations and financial condition. To mitigate oil price volatility, from 1 April 2024 the Directors have hedged a total of 5.0 MMbbls for the remainder of 2024, with 4.1 MMbbls through the use of put options with an average floor price of c. $60/bbl and 0.9 MMbbls through swaps at an average price of $86/bbl, and 1.6 MMbbls in 2025 using puts, with an average floor price of c.$60.0/bbl. The Directors, in line with Group policy and the terms of its RBL facility, will continue to pursue hedging at the appropriate time and price.

Fiscal risk and government take

Unanticipated changes in the regulatory or fiscal environment can affect the Group's ability to access funding and liquidity. The change to the EPL introduced in the Autumn Statement 2022 materially impacted the RBL borrowing base and associated amortisation schedule. In the 2023 Autumn Statement on 22 November, the UK Government confirmed that it will bring in legislation for the Energy Security Investment Mechanism and have agreed to index link the trigger floor price to CPI from April 2024. The Government also announced that once the decarbonisation allowance of 80% against EPL is withdrawn (currently in March 2028), that it will replace this with a new allowance at the same effective rate against the industry tax regime. In March 2024, the UK Government announced that the sunset clause for EPL would be extended by a year to 31 March 2029, although no date has yet been set for when this will be legislated. Further fiscal changes could be enacted should there be a change in UK Government at the next general election. The Group will continue to monitor developments and any potential related impacts.

Access to funding

Prolonged low oil prices, cost increases, production delays or outages and changes to the fiscal environment could threaten the Group's liquidity and access to funding.

The Directors recognise the importance of ensuring medium-term liquidity. The maturity dates of July 2027 for the $150.0 million term loan and November 2027 for the $305.0 million high yield bond and the £133.3 million retail bond provide a material level of funding throughout the assessed viability period ending March 2027. The Group has continued to prioritise debt reduction from free cash flows as evidenced with the RBL being fully repaid in the first quarter of 2024, materially ahead of schedule.

In assessing viability, the Directors recognise that in a Downside Case limited additional liquidity would be required, which may necessitate limited mitigations, such as working capital management, amendments to capital work programmes, asset farm-downs or other financing options. Given the extended duration of the viability period, the Directors believe such measures can be executed successfully in the necessary timeframe to maintain liquidity.

Notwithstanding the principal risks and uncertainties described above, after making enquiries and assessing the progress against the forecast, projections and status of the mitigating actions referred to above, the Directors have a reasonable expectation that the Group can continue in operation and meet its commitments as they fall due over the viability period ending March 2027. Accordingly, the Directors therefore support this viability statement.

Group non-financial and sustainability information statement

The following information is prepared in accordance with Section 414CB(1) of the Companies Act 2006. Further information on each of the areas set out below, including the Group's policies where relevant, can be found in the following pages of this section of the report. The Group's business model can be found on page 01, while its key performance indicators can be found on page 03.

Environmental (see pages 36 to 39, and 66 to 75)

- At the core of EnQuest's Values is SAFE Results with no harm to people and respect for the environment
- EnQuest's Environmental Management System ('EMS') ensures the Group's activities are undertaken in such a way that it manages and mitigates its impact on the environment. The EMS meets both the requirements of OSPAR and the International Organization for Standardization's environmental management system standard – ISO 14001
- Having progressed three significant new energy and decarbonisation opportunities at Sullom Voe Terminal, the Group launched Veri, with responsibility for delivering the Group's short- and medium-term emission reduction objectives and advancing longer-term renewable energy and decarbonisation opportunities
- In 2023, the Group was awarded four CCS licences for East of Shetland reservoirs
- During 2023, EnQuest's Board approved a commitment to reach net zero in respect of Scope 1 and Scope 2 emissions by 2040
- The Group continues to make good progress in reducing its absolute Scope 1 and 2 emissions during the year. Since 2018, UK emissions have reduced by c.41%, which is significantly ahead of the UK Government's North Sea Transition Deal target of achieving a 10% reduction in Scope 1 and 2 CO_2 equivalent emissions by 2025
- For 2023, a baseline of 'Waste generated in operations' (Category 5) has formed part of the Group's SECR in the UK
- EnQuest has reported on all the emission sources within its operational control required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013
- The Group continues to evolve its disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures
- EnQuest was awarded an improved score of 'B' for its 2023 CDP Climate Change submission

Our people (see pages 43 to 44)

- EnQuest is committed to providing an inclusive culture that recognises and celebrates difference and sees a diverse culture as an enabler of creativity and performance improvement
- The Group-wide diversity and inclusion ('D&I') strategy is firmly embedded in the overall strategy of the business
- The mental and physical welfare of all employees continues to be a major focus across the business. During 2023 a Mental Health and Wellbeing policy was developed and launched
- A broad programme of job-specific training was undertaken to ensure high levels of skill, competence and safety are maintained across our operations

Community (see pages 42 to 43)

- EnQuest is fully committed to active community engagement programmes, encouraging and supporting charitable donations in the areas of improving health, education and welfare within the communities in which it works
- Throughout 2023, the Group continued to provide support to a wide range of local organisations and communities in the UK and Malaysia
- In Aberdeen, EnQuest was able to donate to a range of charities including its two core charities in the North Sea, CLAN Cancer Support and the Archie Foundation
- There was continued support for a range of cultural events, charitable donations and educational awards in Shetland throughout the year
- In Malaysia, EnQuest maintained its support of the Sungai Pergam Orang Asli Primary School in Terengganu, by contributing to student bursaries for 48 students through the MyKasih 'Love My School' programme, alongside a university scholarship programme

Business conduct (see page 65)

- The Group has a Code of Conduct that sets out the behaviour which the organisation expects of its Directors, managers and employees, and of our suppliers, contractors, agents and partners
- This code addresses the Group's requirements in various areas, including the importance of health and safety and environmental protection, compliance with applicable law, anti-corruption, anti-facilitation of tax evasion, anti-slavery, addressing conflicts of interest, ensuring equal opportunities, combatting bullying and harassment and the protection of privacy
- The Group is committed to ensuring that it respects (and never participates in the violation of) international human rights. It does this through strict adherence to the Code of Conduct, its Modern Slavery Statement and the EnQuest Values
- The highest potential risk of modern slavery would be in the supply chain. As such, risk based due diligence may be conducted on suppliers before allowing them to become a preferred/pre-qualified supplier, with on-site audits undertaken where appropriate. EnQuest also conducts training for its procurement teams so that they understand the signs of modern slavery and how to raise any concerns they may have.
- EnQuest is not aware of any slavery or human trafficking within its business or supply chains and no issue in relation to modern slavery has been raised

A view across Sullom Voe to the port of Sella Ness showing the four deep-water jetties at SVT

A forward-thinking approach

At EnQuest, we have monitored the evolving ESG landscape and identified those factors that are applicable to our purpose and business model and relevant for our stakeholders.

Environmental, Social and Governance ('ESG') factors continue to grow in importance for companies, reflecting the focus on company purpose, widespread concerns about climate change, the importance of stakeholder considerations and the emphasis on long-term value enhancement.

Our sustainability highlights for 2023

Reduction in Group Scope 1 and Scope 2 emissions vs 2020 baseline	**Reduction** in UK Scope 1 and 2 emissions vs 2018 NSTD baseline	Top quartile LTIF[1] performance	Female representation at Board level
23%	41%	0.52	43%

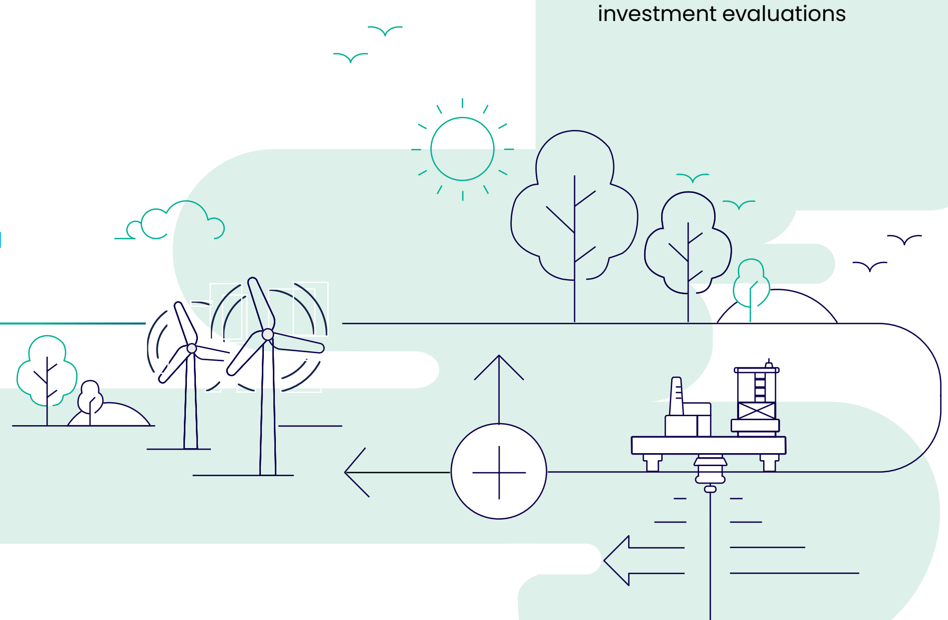
Note:
1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

Environmental

Managing emissions from existing operations and advancing new energy opportunities

- Committed to contributing positively towards the drive to net zero
- Focused on absolute Scope 1 and 2 emission reductions in existing and acquired assets; three-year Group targets linked to reward
- Incorporate carbon costs into investment evaluations

Read more in Environmental
See Page 36

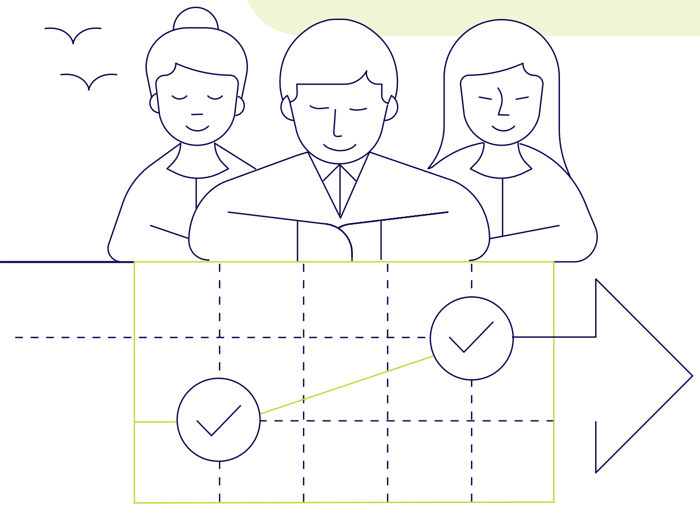


Social

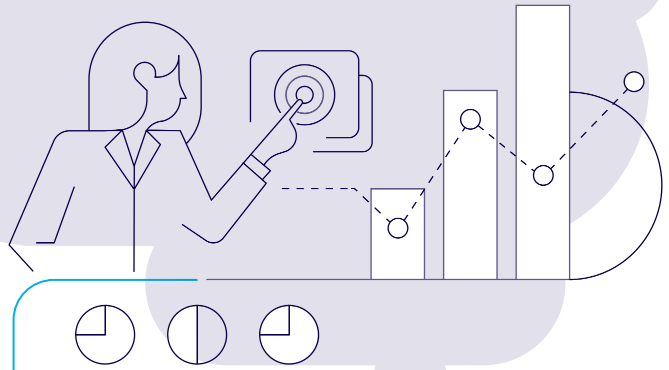
Our culture defines how we approach safety and ensures that our people, EnQuest's most important asset, return home from work safe and well

- Committed to operating with a strong culture and Values, in line with the Group's purpose, alongside delivering SAFE Results with no harm to our people
- Committed to improving workforce diversity and inclusion
- Aim to impact positively the communities in which we operate, and prioritising respect for the environment

Read more in Social
See Page 40



- Committed to operating with high standards of integrity in line with the Group's Code of Conduct
- Apply the Group's established Risk Management Framework and operate within the Board-approved statement of risk appetite
- Reward is linked to ESG performance



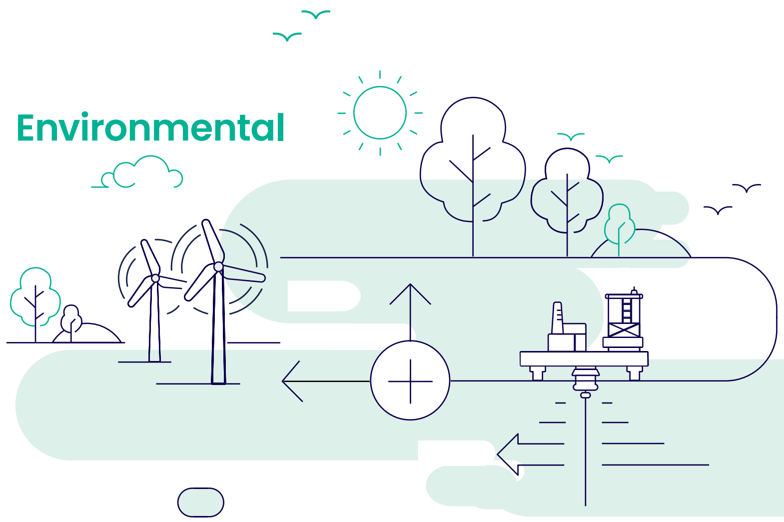
Governance

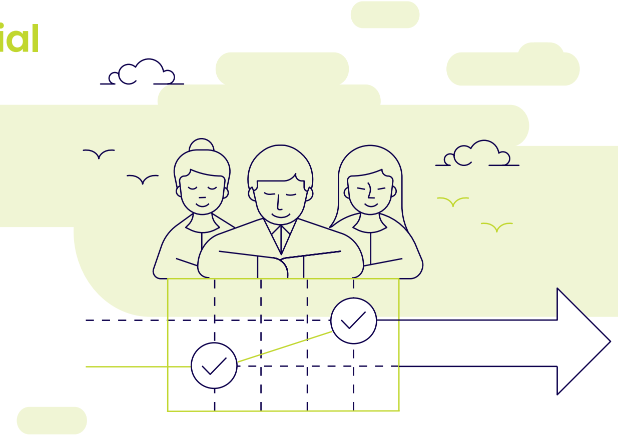
We are committed to operating within a robust Risk Management Framework

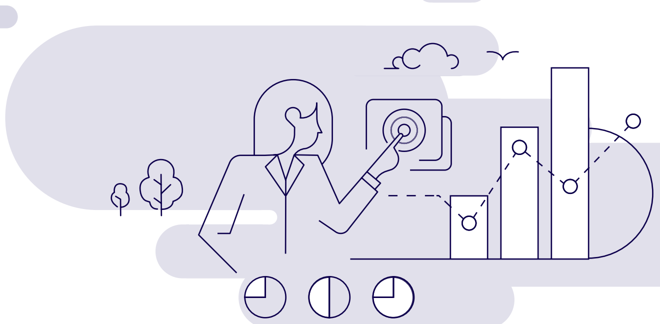
Read more in Governance
See Page 46

Taking a long-term view

Our ESG strategy focuses on factors that are applicable to our purpose and business model and relevant for our stakeholders.







	Objectives	How we performed in the year	Ambitions for 2024	Long-term goals
Environmental	• Contribute positively towards the drive to net zero • Reduce absolute Group Scope 1 and Scope 2 emission reductions by 10% across three-year period • Improve CDP Climate Change survey rating	• Board-approved 2040 net zero commitment • 24% reduction in Group Scope 1 and Scope 2 emissions versus 2020 baseline • Scope 3 reporting commenced against category 5, 'Waste generated in operations' • Achieved B rating for the 2023 CDP Climate Change survey (2022: C). This rating places EnQuest among oil and gas sector leaders	**10%** Three-year emission reduction target vs 2023 baseline **5%** Reduction in production asset flare performance versus 2023	**2040** Deliver net zero in terms of Scope 1 and Scope 2 emissions Target 12.2 – By 2030, achieve the sustainable management and efficient use of natural resources
Social	• Committed to operating with a strong culture and Values, in line with the Group's purpose, alongside delivering SAFE Results with no harm to our people • Committed to improving workforce diversity and inclusion • Aim to impact positively the communities in which we operate, and prioritising respect for the environment	• Group loss time incident frequency was 0.52 (2022: 0.57). UK average was 1.31 • Launched EnQuest apprentice programme in the UK • Group Mental Health Policy published in 2023	**0.52** Maintain LTIF performance below industry benchmarks	Our skilled and dedicated workforce is our strength. As we navigate the energy transition, we are committed to strategies that prioritise their wellbeing, professional growth and economic security
Governance	• Committed to operating with high standards of integrity in line with the Group's Code of Conduct • Apply the Group's established Risk Management Framework and operate within the Board-approved statement of risk appetite • Reward is linked to ESG performance	• Board composition compliant with FTSE Women Leaders Review and Listing Rule 9.8.6 (9) which targets at least 40% of Board members to be women • Farina Khan appointed Senior Independent Director • Board remains ahead of the Parker Review requirement with respect to ethnic minority representation	**>40%** Female Board level representation	Committed to operating with high ethical standards, overseen by a diverse and knowledgeable Board

Environmental

Managing emissions from existing operations and advancing new energy opportunities.

A responsible operator with a strong culture and management framework

At the core of EnQuest's Values is SAFE Results with no harm to people and respect for the environment. As an energy transition company, safely improving the operating, financial and environmental performance of mature and late-life assets remains a key focus. EnQuest recognises the importance of good governance and transparency in relation to climate change, and the Group's reporting against the Task Force on Climate-related Financial Disclosure recommendations can be found on pages 66 to 75. In addition, the Group outlines its assessment of associated potential risks to the execution of its strategy within the Risks and uncertainties section of this report (see page 46).

EnQuest's Environmental Management System ('EMS') ensures the Group's activities are undertaken in such a way that it manages and mitigates its impact on the environment. The EMS meets the requirements of the OSPAR Recommendation 2003/5 and is aligned with the requirements of the International Organization for Standardization's environmental management system standard – ISO 14001. In the UK, the Group publishes its annual Environmental Statement in line with the regulatory environmental management system requirement under the OSPAR Recommendation 2003/5 (see the Environmental, Social and Governance section on the Group's website, www.enquest.com).

These statements, which include information on emissions, waste, discharges and spills, are an open and transparent representation of EnQuest's environmental performance across all its UK offshore operations. In Malaysia, environmental management and reporting are undertaken through PETRONAS Malaysia Petroleum Management ('MPM') and addressed as part of the EnQuest Malaysia Management System and in line with ISO 14001.

The Group has been a member of Oil Spill Response Limited and the Petroleum Industry of Malaysia Mutual Aid Group for several years and remains a supporter of Shetland Oil Terminal Environmental Advisory Group.

Reduction in Group
Scope 1 and 2 emissions

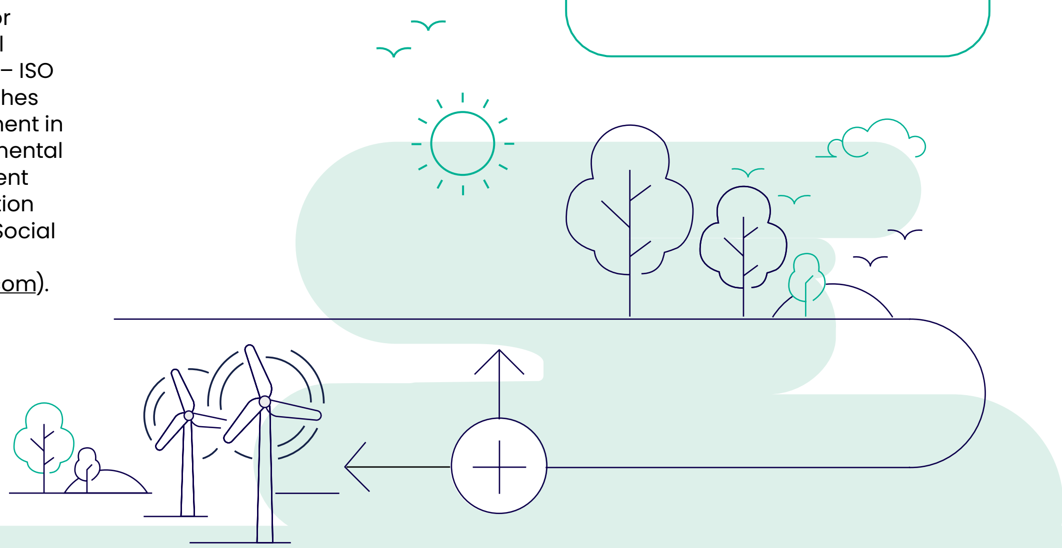
23%
vs 2020 baseline

Reduction in UK
Scope 1 and 2 emissions

41%
vs 2018 NSTD[1] baseline

Note above:
1 North Sea Transition Deal

Notes opposite:
1 $kgCO_2e/bbl$ = kilograms of CO_2 equivalent per produced barrel
2 Based on the University of Calgary Petroleum Refinery Life Cycle Model ('PRELIM') recognised by California Air Resources Board, US Energy Technologies Laboratory, US DOE Office of Energy Efficiency and Renewable Energy, Carnegie Endowment for International Peace and the US Environmental Protection Agency



> **"We have a credible plan to progress our business towards net zero, transforming the carbon footprint of our existing portfolio and developing decarbonisation projects at scale at SVT."**
>
> Amjad Bseisu
> **Chief Executive Officer**

Lowering CO_2e emissions through the energy transition

EnQuest recognises that industry, alongside other key stakeholders such as governments, regulators and consumers, must contribute to reducing the impact on climate change of carbon-related emissions. The Group is committed to playing its part in the achievement of national emission reduction targets having committed to net zero Scope 1 and 2 emissions by 2040, with the Veri Energy business having overall responsibility for delivering the Group's decarbonisation ambitions and specific emission reduction objectives.

Within EnQuest's core Upstream and Decommissioning businesses, the Board is focused on a strategy that recognises that hydrocarbons will remain a key element of the global energy mix for many years, and through which the Group can pursue a business model which helps to fulfil energy demand as part of the transition to a sustainable lower-carbon world, while reducing Scope 1 and Scope 2 emissions from its own business operations where practicable. EnQuest recognises the complexity and scope of EnQuest's value chain and has carefully considered how reporting of Scope 3 emissions can be introduced. For 2023, a baseline of 'Waste generated in operations' (Category 5) has formed part of the Group's Streamlined Energy & Carbon Reporting ('SECR') in the UK. The expansion of Scope 3 emissions reporting to other categories such as 'Use of sold production' (Category 11) is included in the Group's Continuous Improvement Plan ('CIP') with alignment to the United Nations-adopted Sustainable Development Goal ('SDG') 12, Responsible Consumption & Production. For the longer term, the Veri Energy subsidiary is evaluating and progressing opportunities to utilise existing infrastructure, including the Sullom Voe Terminal ('SVT'), pipelines, and underground reservoirs, to facilitate potential wind-powered electrification of offshore oil and gas infrastructure, green hydrogen and derivative production, and carbon capture and storage ('CCS') initiatives. Its CCS ambitions, which aim to permanently store CO_2 shipped to site from isolated emitters in the UK, Europe and further afield, provide the potential to remove CO_2 in multiples of the Group's own emissions footprint. The Group's electrification plans could lower emissions associated with offshore production in the West of Shetland at assets that could produce into the 2050s. The production of green hydrogen and derivatives through harnessing the advantaged natural wind resource around Shetland could provide a low-carbon alternative fuel which would help decarbonise a number of industries (see page 53 for more information).

A clear target for the existing portfolio linked to reward

In 2021, the Group set a target of reducing its absolute Scope 1 and 2 CO_2 equivalent emissions by 10% by 2023 against a 2020 baseline (see pages 109 and 110 of the Directors' Remuneration Report). These targets are key performance metrics in the Group's long-term incentive scheme for Executive Directors and applicable employees and are linked to appropriate targets within the Group's short-term incentive plan. Improving the Group's environmental performance is an ongoing process and, as such, workforce engagement and development of technological improvements will continue to ensure economically viable emission reduction initiatives across the Group are identified and implemented. EnQuest's Climate Change oversight is stewarded through the Energy (Emission) Management System – Structure & Governance procedure. The purpose of this is to outline the structure and governance in relation to the Energy Management System within EnQuest, including how it approaches the measurement and reporting of emissions and how the Group will assess and select emission reduction opportunities. The procedure itself is structured to align with the internationally recognised structure for an energy management system in relation to ISO 50001.

Significant reductions achieved

The Group continued to make good progress in reducing its absolute Scope 1 and 2 emissions during the year, with CO_2 equivalent emissions now reduced by 23% versus the 2020 baseline, reflecting operational and facilities improvements and lower flaring and diesel usage. Since 2018, UK emissions have reduced by 41%, driven by the decisions to cease production at a number of the Group's assets and the further reductions achieved in 2023, which is significantly ahead of the UK Government's North Sea Transition Deal target of achieving a 10% reduction in Scope 1 and 2 CO_2 equivalent emissions by 2025.

In addition to reducing upstream-related emissions, the Group has continued to optimise sales of Kraken cargoes directly to the shipping fuel market, thereby avoiding the significant emissions related to refining – estimated to be c.32–36 $kgCO_2e/bbl$[1,2] for typical North Sea crude and helping to reduce sulphur emissions in accordance with the International Maritime Organization ('IMO') 2020 regulations.

Looking to the future

As majors and other operators continue to shift their focus from mature basins within various geographies, particularly the UK given the introduction of the UK Energy Profits Levy in 2022, it is expected there will be further opportunities for the Group to access additional oil and gas resources. However, time and careful consideration will be taken to find the right opportunities where EnQuest can deliver incremental emission reductions relative to the carbon footprint in the hands of the seller. The Group can make a positive contribution towards the future of

"EnQuest is committed to a Just Energy Transition, working to meet the UK's oil and gas demand while delivering the cleanest energy available."

Steve Bowyer
General Manager, North Sea

View of Central Avenue Sullom Voe Terminal

North Sea oil and gas through doing its part in ensuring that each asset is in the right hands. In Malaysia, the Group continues to limit voluntarily emissions below the regulatory limit.

Emissions management is an important feature during the decommissioning phase of an asset's life cycle which can take a number of years and requires careful project management. During this phase, wells will be plugged and abandoned, while the production and processing facilities and any relevant infrastructure will be flushed and cleaned prior to being removed. EnQuest's UK Decommissioning directorate oversees the safe and efficient execution of these work programmes and is committed to delivering them in a responsible manner. This includes minimising emissions and maximising the recycle and reuse of recovered materials. A specific example would be implementing a fit for purpose and innovative power generation solution on the Thistle and Heather assets to reduce emission levels to a level below the regulatory limits to remain within UK ETS. The UK Decommissioning directorate continues to welcome creative ways with respect to emission reduction from all stakeholders appropriate to our timeline of decommissioning.

EnQuest continues to mature renewable energy and decarbonisation opportunities at SVT, including those involving the repurposing of existing site infrastructure through the subsidiary Veri Energy. In particular, the initiative focused on CCS could see the Group's carbon footprint move to a position of negative net emissions. In 2023, the Group was awarded four CCS licences for East of Shetland reservoirs by the North Sea Transition Authority ('NSTA'). Initial studies suggest that these available reservoirs have a minimum 500 million tonnes CO_2 storage capacity. With EnQuest estimating that c.10 million tonnes per annum could be processed through SVT infrastructure, this amounts to a multi-decade project.

EnQuest continues to engage with entities such as Offshore Energies UK, the Net Zero Technology Centre ('NZTC') and the NSTA, to better understand how it can contribute further to the industry approach to achieving net zero, while remaining aligned with EnQuest's strategy and Values.

Atmospheric emissions

The Group seeks to use energy efficiently within its facilities for extracting, processing and exporting oil and gas, continually looking to identify opportunities that may reduce emissions from its operations. EnQuest's Emissions Management Team continues to develop and drive a continuous improvement process focusing on Scope 1 and 2 emission reduction opportunities in line with the Group's overall target.

The primary responsibilities of the Emissions Management Team are:

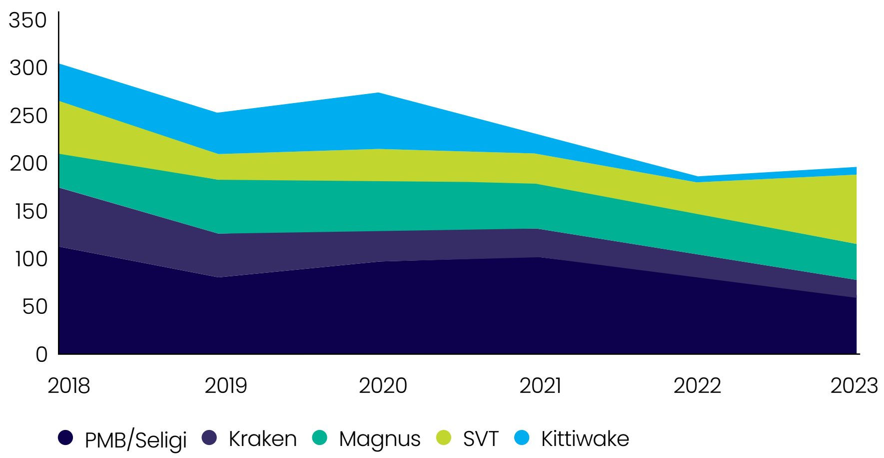
- Delivering a workable, low-bureaucracy process for capturing ideas and monitoring progress;
- Assessing emission reduction opportunities arising from the Group's Energy Savings Opportunity Scheme ('ESOS') audits and other opportunities identified by EnQuest's staff and contractors in both the UK and Malaysia; and
- Maintaining an 'Emissions Monitoring Framework' that allows regular emissions monitoring and reporting to Company leadership and the Board.

Since 2020, there has been an improvement in EnQuest's flare performance as demonstrated in the graph below.

This improved performance has been driven by improved levels of operational efficiency. Examples of this include:

- Kittiwake achieving an 84% reduction in flare (from 2020) after the reinstatement of production from Mallard (higher molecular weight gas) and the re-mapping of the compression system to maximise utilisation of produced gas;
- Kraken achieving a 41% reduction (from 2020) in flare due to better fuel management and maximising utilisation of produced gas within the installation's steam generation system; and
- PM8/Seligi achieving a 37% emission reduction versus 2020 following improvements to the compression system contributed by the ongoing TCP upgrade programme which has resulted in improved compression uptime and consistent optimal performance, leading to emission reduction in flaring and fuel gas.

EnQuest's flare performance (Kt CO_2e) 2018–2023



In 2022, the NSTA requested companies operating in the UK North Sea to consider disclosing certain quantitative metrics in their annual reports. The following disclosure has been made for 2023 in accordance with this request:

North Sea Transition Authority – UK short-term quantitative metrics

Scope 1 and 2 Emissions ($MTCO_2e$)	765,206
Fugitive Emissions as % of Marketed Gas	0.015%
Carbon Intensity Total UK ($MTCO_2e$/Boe)	0.042
Water Pollution Risks (million m^3)	9.88
Waste Management & Disposal (MT)	3,486
Flaring & Venting ($MTCO_2e$/Boe)	0.010
Regulatory Fines	0
Lost Time Injury Frequency Rate	0.86
Recordable Injury Frequency Rate	3.16
Restricted Workday Case	5
Medical Treatment Case	3
Lost Work Day Case	3

Future reductions in the short term are expected from:

- Stable plant operations, improved restart procedures and facilities improvement projects resulted in significant improvements to flare performance at Magnus in 2023. A compressor cross-over project and improvements to seal oil systems and glycol regeneration are being progressed that have the potential to materially reduce routine flaring from the asset; and
- A trial was completed in Q4 2023 at Kraken which successfully demonstrated the stability of the main power generation engines in fuel gas mode. This confirms the feasibility of emissions reduction opportunities, including flare gas reduction, to increase the availability and usage of fuel gas in place of diesel.

EnQuest was awarded an improved score of B (from C) for its 2023 CDP Climate Change submission, demonstrating that it continues to integrate climate change impacts into the fabric of the business. The overall improvement was driven by recognition of the Group's credible transition plan and defined actions to pursue progress towards net zero.

Social

Our culture defines how we approach safety and ensures that our people, our most important asset, go home safe and well.

Health and safety

Underpinning the Group's licence to operate is its health and safety performance. The Group focuses on the delivery of SAFE Results while realising its business objectives. To achieve this, the business is managed in accordance with the Board-approved Group-wide Health, Safety, Environment and Assurance ('HSEA') Policy, which can be found on the Group's website, www.enquest.com, under Environmental, Social and Governance.

Culture

Safety is at the heart of EnQuest's Values. The Group undertakes continuous improvement activities to ensure that its health and safety culture continues to develop. These have a focus on the prevention of personal injuries, dangerous occurrences and hydrocarbon releases and, in support of the delivery of SAFE Behaviours, are aligned to four key pillars of:

- **Standards** – following rules and procedures;
- **Awareness** – understanding the hazards and controls;
- **Fairness** – adopting the correct behaviours; and
- **Engagement** – communicating effectively.

During 2023, the Group continued to place emphasis on maintaining a strong safety culture through the presentation of two SAFE Results 'Values awards' at Global Town Hall events. EnQuest performed a Group-wide asset integrity review in 2023 which identified significant improvements in risk-based decision making associated with integrity management helping to ensure asset integrity status and cost allocation remain visible since the previous review in 2021. Several improvements were made in people, plant and process safety, including:

- Shutdowns undertaken across the Group's operated asset base continued to focus on driving improved asset integrity and reliability;
- Risk-based approach applied to global audit and assurance plans and activities, to focus efforts on key areas of the business; and
- Maturation of the process safety barrier model improving the visibility of integrity status to prioritise allocation of resources based upon risk.

EnQuest Malaysia was recognised for its effective implementation of Offshore Self Regulations ('OSR') by the Department of Occupational Safety and Health and PETRONAS, and given two awards for no overdue actions and fastest action closure rate.

The Group's health and safety performance has continued to be strong from a leading indicator perspective, while lagging indicators of Lost Time Incidents ('LTIs') and hydrocarbon releases were more challenged. There has been further development of the continuous improvement culture with several activities undertaken in 2023, including:

LTI frequency[1] performance

0.52

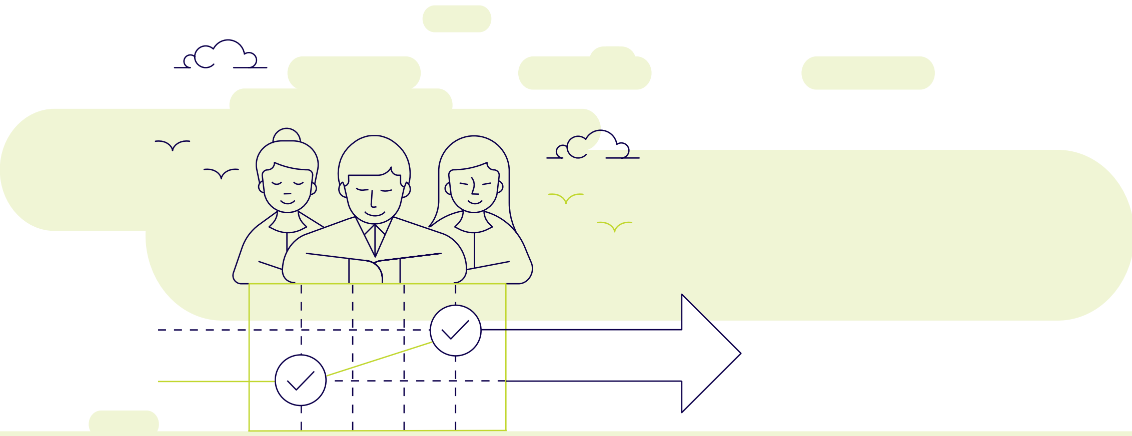
Tier 1 hydrocarbon releases across the Group[2]

3

Notes above:

1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

2 Tier 1 Hydrocarbon release, 10kg gas or 100kg oil



> "We aim to deliver SAFE Results by ensuring that everyone who works at our sites is provided with the training, equipment and processes to execute their work safely. We all have a personal responsibility for safety and we expect procedural compliance while empowering anyone to stop a task if a safer or more efficient method is identified."
>
> Ian McKimmie
> **Corporate Head of HSE**

- Audit of the Business Management System with improvement plans identified;
- Exceeding the target for site safety-leadership visits, a leading safety indicator of engagement;
- Reducing high-risk safety and environmental critical element repair orders, which has lowered the risk profile across the Group; and
- Continuing to contribute positively to the industry organisations Offshore Energies UK and Step Change in Safety initiatives and campaigns.

Health

EnQuest recognises the benefits of promoting positive health and wellbeing within the workplace and a Mental Health Policy describing EnQuest's commitment to protecting and maintaining the health, safety and wellbeing of its workforce was published in 2023. The employee-led Wellbeing Committee implemented a number of activities such as Step Challenges and Menopause Awareness and participation in the Corporate Games, of which EnQuest was a main sponsor.

Personal safety

Management of late-life assets through production operations, drilling and decommissioning activities requires constant vigilance and attention to detail. During the year, three LTIs were reported across the Group, which was consistent with 2022, resulting in a Group LTI frequency[1] of 0.52 against a backdrop of 5,806,681 million hours worked (2022 LTIF of 0.57).

Various notable milestones were achieved across the Group's asset base:

- The asset team at Kittiwake recorded 18 years LTI free;
- SVT achieved two significant milestones in August: four million manhours LTI free and 12 months rolling total recordable incident rate of zero; and
- The PM8E/Seligi team achieved the milestone of 12 months LTI free in August with over 3 million manhours performed on production operations, drilling, well operations and shutdown activities.

The LTIs in 2023 primarily occurred during routine activities, including load handling. In response, management emphasised the need for increased focus on leadership and accountability, continued focus on hazards and controls and dynamic risk assessment.

Process safety

Process safety continued to be a focus in 2023. In conjunction with the asset integrity review, there has been progress achieved in risk review processes, such as the maturation of the major accident hazard barrier model which enables the extraction of real-time inspection and maintenance data.

This has enabled the monthly asset Process Safety Review and Improvement Boards to generate open and transparent discussions about key threats and control arrangements:

- For those assets in a decommissioning phase and not processing hydrocarbons, asset integrity is being assured to deliver safe decommissioning activities, while the management of safety-critical maintenance is being tailored to reflect the specific circumstances of each asset;
- HSEA systems have continued to be reviewed and the use of data visualisation tools is better informing HSEA performance and ensuring that any response to changing HSEA processes is supported by reliable data sources from automated systems;
- In both Malaysia and the UK, regulator interaction continues in an open and transparent manner, allowing for collaboration on key issues; and
- Reportable hydrocarbon releases across UK-operated assets was two in 2023 (2022: three; 2021: one; 2020: four;), while Malaysia had a single hydrocarbon release (2022: zero; 2021: one; 2020: two). Hydrocarbon release prevention remains a focus area for 2024.

All prior Health and Safety Executive ('HSE') Improvement Notices ('INs') have been complied with in accordance with the action plans and timelines agreed with the HSE. An IN was received in late 2022 with regard to a previously applied isolation scheme. This IN was closed ahead of the agreed due date. An IN was issued in June 2023 in relation to one of the hydrocarbon releases, associated with the management of temporary pipework. This IN was closed in September following a revision to the Management of Engineering Change procedure. The Group ends the year with no outstanding improvement notices. The Group welcomes continued engagement with the HSE and INs provide the Group with the opportunity to further improve process safety arrangements, prevent future hydrocarbon releases and increase assurance across the Group.

1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

Aberdeen Corporate Games 2023

Charitable donations in 2023
($000)

c.155

Community

EnQuest has an established culture of supporting the communities in which we operate.

UK

EnQuest made a series of charitable donations throughout the year:

- Onshore and at SVT, our charitable donation scheme is directly linked to positive health and safety performance on our assets. Through these schemes EnQuest was able to donate to a wide range of charities including three Scottish hospices, as well as Fighting for Sight, which funds research to prevent blindness, and Teen Challenge UK which provides support to young people suffering from drug addiction;
- SVT also supported a range of cultural and sporting events in Shetland in 2023, including sponsoring the Tall Ships Race, a yacht race between European and UK ports that includes Lerwick and takes place every five years. In addition, EnQuest sponsored a Sail Training Shetland event for 70 young people, Shetland Rugby's mid-summer event for children, women's and men's matches and the Shetland Junior Golf Open;
- Seven educational awards for the academic year 2022-2023 were made by the Trustees of the Sullom Voe Terminal Participants' Tenth Anniversary Fund. Now in it's 35th year, the Trust was established to promote and encourage the education of Shetland residents who will be studying a discipline likely to contribute to the social or economic development of Shetland. This year, students are engaged in disciplines as wide ranging as medicine, primary education, marine and fresh water biology and electrical and mechanical engineering. As operator, EnQuest also offers a scholarship opportunity to a student studying in a technical or commercial discipline that is relevant to SVT, where they take part in a work placement at the terminal during the summer break;
- In Aberdeen, EnQuest was able to donate to a range of charities including our two core charities in the North Sea, CLAN Cancer Support and the Archie Foundation. EnQuest also donated to Befriend a Child, a charity that supports disadvantaged children in Aberdeen City and Shire, the Camphill School which cares for children and young people with learning disabilities and complex additional support needs in Aberdeen, as well as matching employee funding for a range of charities from the First Scottish Women's Junior Cycle team to Duchenne UK, a muscular dystrophy disease that targets young boys aged between three and six years; and
- EnQuest also offered 14 internship placements in the summer to a diverse group of postgraduates, undergraduates and one school leaver, working across the business divisions from Upstream to Decommissioning, Business Services to HR, as well as its Wells and New Energy business. Since September 2023, EnQuest has committed to sponsor a Mechanical Engineering student from Aberdeen University for the duration of their five-year degree course. This funding goes towards educational materials and subsistence for the student. This student will be invited to participate in our intern programme during their studies. EnQuest is planning to expand its commitment to develop new talent in the industry and has already committed to a graduate and intern programme for 2024.

In Malaysia, EnQuest continued to support a very active programme of local community initiatives, charitable donations, and educational sponsorship, including:

- EnQuest Malaysia continued to support the Orang Asli primary school, Sekolah Kebangsaan Sungai Pergam, in Terengganu by contributing RM39,305.84 to student bursaries for 48 students through MyKasih 'Love My School' cashless programme this 2023. The bursaries enabled students to make cashless purchases of daily canteen meals and classroom necessities at school;
- EnQuest Malaysia has supported the school since June 2019, with the school being one of only two Orang Asli primary schools in the state. Having funded the refurbishment of the school canteen in 2019, EnQuest committed to paying RM60,550 for upgrades to classrooms and the school's roof. This included refurbishing a classroom for after-school sessions to ensure no child is left behind in their studies;
- EnQuest also sponsored 'Back to School' sets worth RM9,150, including school uniforms, for students as they prepared to start the school year in March 2023;
- In 2023, 11 local university students were selected for internship placements in a variety of disciplines and an additional one from a US university; and
- EnQuest Malaysia now has a total of six graduates of our scholarship awards, a joint sponsorship between EnQuest and The Amjad and Suha Bseisu Foundation. Disciplines include geology as well as chemical, mechanical, and petroleum engineering at courses offered at the Universiti Malaya and Universiti Teknologi Malaysia. Currently we have two active scholarship recipients under the joint programme, and in December 2023, four students were selected to enter the programme.

"At EnQuest, our people will always be our most important asset."

Amjad Bseisu
Chief Executive Officer

Our people

At EnQuest, we recognise people are critical to our success and we are committed to ensuring EnQuest remains a great place to work. We have a strong set of Values that underpin our way of working and provide a rewarding work environment, with opportunities for growth and learning while contributing to the delivery of our strategy.

An inclusive workforce

We remain committed to providing an inclusive culture that recognises and celebrates difference and sees a diverse culture as an enabler of creativity and performance improvement. Established in 2021, the Group-wide diversity and inclusion ('D&I') strategy, is firmly embedded in the overall strategy of the business, alongside the D&I Policy. The policy, which can be found on the Group's website (www.enquest.com), outlines seven key commitments to:

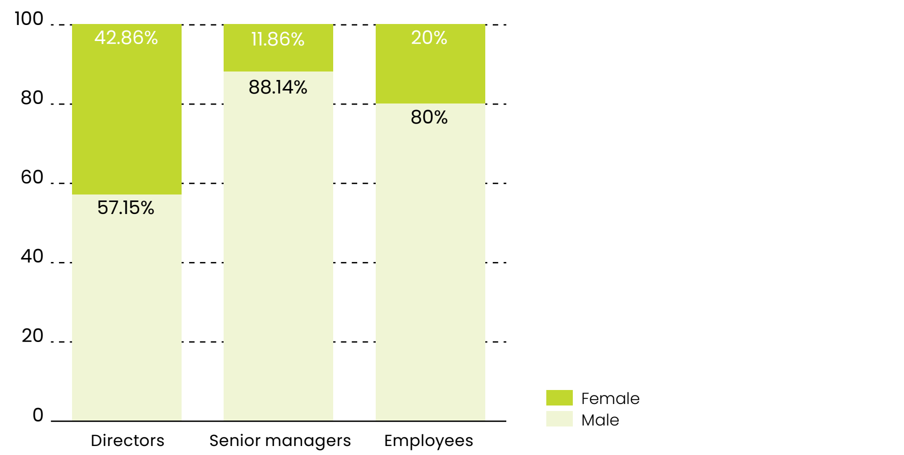
- Challenge our personal bias;
- Understand the diversity of our workforce;
- Resource the organisation, ensuring diversity matters;
- Engage and educate our workforce on D&I;
- Learn from each other by providing reverse mentoring;
- Consider suppliers who are diverse and inclusive; and
- Learn and continuously improve.

The UK's EnQlusion workforce group promoted a number of initiatives during 2023, including continued support for the Association for Black and Minority Ethnic Engineers and International Women's Day, as well as engaging in a variety of cultural celebration events through the year.

Recruitment

Our people and organisational strategy is to ensure that we have the right people, in the right roles, driving performance and delivering efficiencies as we pursue our strategy. We ensure that our processes are open and transparent, providing equal opportunities for all. We will continue with this approach, recruiting individuals based on merit and their suitability for the role.

The chart below illustrates gender breakdown of EnQuest's Directors and workforce as at 31 December 2023[1].



Note:
1 Breakdown of percentages: Directors (3 female, 4 male); Senior managers (7 female, 52 male); Employees (123 female, 492 male). Senior management and total employee figures include EnQuest's employees in Dubai, Malaysia and the UK

We remain committed to fair treatment of people with disabilities in relation to job applications. Full and ffair consideration is given to applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. As set out in the Equal Opportunities & Dignity at Work Policy, we encourage individuals with a disability, or who develop a disability at any time during their employment, to speak to their line manager about their condition. This will enable the Group to provide support and access to the necessary training, career development and promotion for the relevant individual.

Ways of working and engagement

We have a strong set of Values and high standards of business conduct which we expect our employees and everyone we work with to demonstrate and adhere to. Throughout 2023, we continued to celebrate and recognise those who had demonstrably lived our Values through Values awards presented at our Global Town Hall events.

Environmental, Social and Governance continued

EnQuest's Chairman, Gareth Penny, is the Company's formally designated Non-Executive Director for workforce engagement and, as well as meeting with staff during his first year, he also attended the EnQuest Global Employee Forum three times during 2023 and was engaged in follow-up sessions with Forum members. The Forum functions as a useful interface between employees and management for constructive two-way dialogue. Areas discussed and reviewed during the year included:

- Hybrid working;
- Communications; and
- Organisational change.

In addition, during 2023, our Non-Executive Directors maintained a broad approach for employee engagement, such as through face-to-face meetings in specifically arranged, small group sessions. Further details of how the Company engages with its workforce can be found in the Corporate governance statement on page 84.

Our commitment to wellbeing

The mental and physical welfare of all employees continues to be a major focus across the business. During 2023 a Mental Health and Wellbeing policy was developed and launched with the aim of protecting and maintaining the health, safety and welfare of employees by promoting positive health and wellbeing in the workplace.

We have a well-established Wellbeing Committee, consisting of an active membership from across the business. The Committee is pivotal in developing initiatives covering all aspects of individual wellbeing such as Mental Health Awareness week and introducing dignity baskets in female bathrooms, as well as social events such as our annual children's Christmas party. In 2023, EnQuest was a main sponsor of the Aberdeen Corporate Games and saw excellent participation from colleagues across the organisation in a variety of sporting events. We also use our internal social media channel to promote these initiatives and others, such as those targeted at physical health, including pilates, nutrition, along with the annual 'rig-run', Corporate Games and 'step count' challenges throughout the year.

Step Challenge participants, the 'Dubai Steppers'

Continued growth and learning

In line with UK legislation, EnQuest contributes to the UK Apprenticeship Levy each year. Contributions to the levy can be reclaimed for specific training initiatives and EnQuest has partnered with FutureStart since 2021 to provide a Vocational Leadership Programme. Over 100 employees expressed an interest, and more than 60 employees have commenced work on this 18-month programme which, once completed, will deliver a vocational qualification in leadership to participating employees.

In Malaysia, the development of offshore competencies has remained a key focus during 2023 with a multi-phase training programme implemented with partner Institut Teknologi Petroleum PETRONAS (INSTEP). At a leadership level, further collaboration within the industry has delivered key skills through a leadership and mentorship programme. The e-Learning platform continues to be a key tool in delivering training to employees in Malaysia with greater flexibility to meet their individual training needs, with 69% of employees actively participating in programmes on the platform during 2023.

Identifying succession plans for our business-critical roles continued in 2023 to ensure we retain and develop high-potential employees. We conduct regular reviews to ensure the direction, focus and development of employees identified remain relevant and on track. Across the Group, we supported a broad programme of job-specific training to ensure high levels of skill, competence and safety are maintained across our operations.

Gender pay gap

When EnQuest published its first report on the gender pay gap in 2017, it highlighted a noticeable gap between what our male and female employees were being paid. Since then, the Company has worked hard on addressing and reducing the gap from a mean difference of men being paid 38.7% more in 2017 down to 21.0% in 2023. Compared to 2022 however, our mean gender pay gap has increased from 17.8% in 2022 to 21.0% in 2023. Analysis suggests that this increase in gender pay gap has been driven by fewer higher paid female workers in the Company compared to 2022 and an increase in the number of male employees in senior grades who are consequently paid at higher levels relative to the wider population.

Looking ahead, we remain committed to building on the progress made in the areas of diversity and inclusion within our workforce and this commitment is underpinned by a full review of progress and strategy with the Board in the first quarter of 2024.

Governance

Robust Risk Management Framework

"The Board confirms that the Group complies with the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'."

Risks and uncertainties

Management of risks and uncertainties

Consistent with the Group's purpose, the Board has articulated EnQuest's strategic vision to be the partner of choice for responsible management of existing energy assets, applying our core capabilities to create value through the transition.

EnQuest seeks to balance its risk position between investing in activities that can achieve its near-term targets, including those associated with reducing emissions, and those which can drive future growth with the appropriate returns, including any appropriate market opportunities that may present themselves, and the continuing need to remain financially disciplined. This combination drives cost efficiency and cash flow generation, facilitating the continued reduction in the Group's debt.

In pursuit of its strategy, EnQuest has to manage a variety of risks. Accordingly, the Board has established a Risk Management Framework ('RMF') to enhance effective risk management within the following Board-approved overarching statements of risk appetite:

- The Group makes investments and manages the asset portfolio against agreed key performance indicators consistent with the strategic objectives of enhancing net cash flow, reducing leverage, reducing emissions, managing costs, diversifying its asset base and pursuing new energy and decarbonisation opportunities;
- The Group seeks to embed a culture of risk management within the organisation corresponding to the risk appetite which is articulated for each of its principal risks;
- The Group seeks to avoid reputational risk by ensuring that its operational and HSEA processes, policies and practices reduce the potential for error and harm to the greatest extent practicable by means of a variety of controls to prevent or mitigate occurrence; and
- The Group sets clear tolerances for all material operational risks to minimise overall operational losses, with zero tolerance for criminal conduct.

The Board reviews the Group's risk appetite annually in light of changing market conditions and the Group's performance and strategic focus. The Executive Committee periodically reviews and updates the Group Risk Register based on the individual risk registers of the business. The Board also periodically reviews (with senior management) the Group Risk Register, an assurance mapping and controls review exercise, a Risk Report (focused on identifying and mitigating the most critical and emerging risks through a systematic analysis of the Group's business, its industry and the global risk environment), and a Continuous Improvement Plan ('CIP') to ensure that key issues are being adequately identified and actively managed. In addition, the Group's Audit Committee oversees the effectiveness of the RMF while the Sustainability Committee provides a forum for the Board to review selected individual risk areas in greater depth (for further information, please see the Audit Committee report on pages 92 to 98 and the Sustainability Committee report on pages 118 to 119).

As part of its strategic, business planning and risk processes, the Group considers how a number of macroeconomic themes may influence its principal risks. These are factors which the Group should be cognisant of when developing its strategy. They include, for example, long-term supply and demand trends for oil and gas and renewable energy, the evolution of the fiscal regime, developments in technology, demographics, the financial, physical and transition risks associated with climate change and other ESG trends, and how markets and the regulatory environment may respond, and the decommissioning of infrastructure in the UK North Sea and other mature basins. These themes are relevant to the Group's assessments across a number of its principal risks. The Group will continue to monitor these themes and the relevant developing policy environment at an international and national level, adapting its strategy accordingly. For example, the Group has made further progress in the development and execution of its energy transition and decarbonisation strategy through the Infrastructure and New Energy business, which was established in 2021 and launched as Veri Energy, a wholly owned subsidiary of the Group, in 2023. The Group is also conscious that as an operator of mature producing assets with limited appetite for exploration, it has limited exposure to investments that do not deliver near-term returns and is therefore in a position to adapt and calibrate its exposure to new investments according to developments in relevant markets. This flexibility also ensures the Group has mitigation against the potential impact of 'stranded assets' (being those assets no longer able to earn an economic return as a result of changes associated with the transition to a low-carbon economy).

Within the Group's RMF, the Sustainability Committee has categorised all risk areas faced by the Group into a 'Risk Library' of 19 overarching risks. For each risk area, 'Risk Bowties' are used to identify risk causes and impacts, with these mapped against preventative and containment controls used to manage the risks to acceptable levels (see diagram below). These Risk Bowties are periodically reviewed to ensure they remain fit for purpose.

The Board, supported by the Audit Committee and the Sustainability Committee, has reviewed the Group's system of risk management and internal control for the period from 1 January 2023 to the date of this report and carried out a robust assessment of the Group's emerging and principal risks and the procedures in place to identify and mitigate these risks. A Risk Management Framework Performance report is produced and reviewed at each Sustainability Committee meeting in support of this review.

EnQuest Risk Bowtie

ENQUEST RISK MANAGEMENT FRAMEWORK

WHAT WE MONITOR

Enterprise risk register
A summary of the Group's key risks; prepared by combining key risks identified from the asset and functional risk registers with Group-level risks.

Asset and functional risk registers
A compilation of risks (including threats and opportunities) and mitigating controls being managed at an operational/functional level on a day-to-day basis.

Quarterly RMF performance report
Reviewed by leadership teams before being presented to the Sustainability Committee and uploaded to the Board portal.

Continuous Improvement Plan
A summary of the key actions planned for continual improvement of the RMF.

Risk landscape inputs/considerations
Comprises:

(a) long-term macro factors such as political risk; supply and demand trends; climate change-related financial, physical and transition risks; and the decommissioning of infrastructure; and

(b) near-term, emerging and principal risks. These are considered holistically on a backward and forward-looking basis, alongside outputs from relevant strategic reviews, and summarised in an annual Risk Report presented to the Sustainability Committee.

Assessment
Risk causes; likelihood and impact; gross impact; mitigating controls (preventative and containment); net impact; risk appetite; improvement actions; and risk owner.

Identified risks
14 principal risks mapped from a 'Risk Library' of 19 overarching risks.

HOW WE MONITOR

Board of Directors (pages 80 to 81)
Responsible for providing oversight of the Group's control and risk management systems, reviewing key risks and mitigating controls periodically. Approves the Group's risk appetite annually and approves the Group's going concern and viability statements.

Audit Committee (pages 92 to 98)
- Reviews the effectiveness of the Group's internal controls and risk management systems;
- Reviews the internal audit assurance map against principal risks; and
- Reviews and recommends for approval by the Board the Group's going concern and viability statements.

Supported by the Group's Internal Audit function.

Sustainability Committee (pages 118 to 119)
- Supports the implementation and progression of the Group's RMF;
- Monitors the adequacy of containment and mitigating controls, and progression of mitigation of risks;
- Undertakes in-depth analysis of specific risks and considers existing and potential new controls;
- Conducts detailed reviews of key non-financial risks not reviewed within the Audit Committee; and
- Reviews technical and reserves matters.

Business leadership teams
- Regularly reviews operating performance against stretching targets and agreed KPIs; and
- Regularly reviews asset risk registers and considers the results of assurance audits over operational controls.

Executive Committee
- Frequently reviews Group performance, including financial, operating and HSE performance; and
- Periodically reviews the Group Risk Register and RMF performance report.

HSEA Directorate
- Regularly reviews the Group's HSE performance against stretching targets, agreed KPIs and industry benchmarks; and
- Regularly reviews the HSE risk register and considers the results of assurance audits over HSE controls.

Near-term and emerging risks

As outlined previously, the Group's RMF is embedded at all levels of the organisation with asset risk registers, regional and functional risk registers and ultimately an enterprise-level 'Risk Library'. This integration enables the Group to identify quickly, escalate and appropriately manage emerging risks, and how these ultimately impact on the enterprise-level risk and their associated 'Risk Bowties'. In turn, this ensures that the preventative and containment controls in place for a given risk are reviewed and remain robust based upon the identified risk profile. It also drives the required prioritisation of in-depth reviews to be undertaken by the Sustainability Committee, which are now integrated into the Group's internal audit programme for review. During the year, five Risk Bowties were reviewed, ensuring that all 19 of the Group's identified risks have been reviewed within the targeted cycle.

While not considered an emerging risk, given the focus on climate-related risks for energy companies, EnQuest has provided further detail below on its assessment of this risk within the Group's Risk Library. Additional information can be found in the Group's Task Force on Climate-related Financial Disclosures, starting on page 66.

CLIMATE CHANGE

RISK

The Group recognises that climate change concerns and related regulatory developments could impact a number of the Group's principal risks, such as oil price, financial, reputational and fiscal and government take, which are disclosed later in this report.

APPETITE

EnQuest recognises that the oil and gas industry, alongside other key stakeholders such as governments, regulators and consumers, must all play a part in reducing the impact of carbon-related emissions on climate change, and is committed to contributing positively towards the drive to net zero through the energy transition and decarbonisation strategy being pursued through the Infrastructure and New Energy business.

The Group's risk appetite for climate change risk is reported against the Group's impacted principal risks, while a discrete disclosure against the Task Force on Climate-related Financial Disclosures can be found on pages 66 to 75.

MITIGATION

Mitigations against the Group's principal risks potentially impacted by climate change are reported later in this report.

The Group has an emissions management strategy and committed to a 10% reduction in Scope 1 and 2 emissions over three years, from a year-end 2020 baseline, with the achievement linked to reward. Progress is reported to the Sustainability Committee of the Board. An emissions reduction of 24% was achieved over this three-year period through improving operational performance, minimising flaring and venting where possible, and applying appropriate and economic improvement initiatives, noting that the ability to reduce carbon emissions from its own operations will be constrained by the original design of later-life assets. Following the establishment of the Veri Energy business in 2023, the Group has further enhanced its business model to include a focus on repurposing existing infrastructure to support its renewable energy and decarbonisation ambitions, centred around the Sullom Voe Terminal.

EnQuest has reported on all of the greenhouse gas emission sources within its operational control required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (see pages 123 to 124 for more information).

The Group's focus on short-cycle investments drives an inherent mitigation against the potential impact of 'stranded assets'.

Other near-term risks being monitored

ONGOING GEOPOLITICAL SITUATION

The Group has continued to assess its commercial and IT security arrangements and does not consider it has a material adverse exposure to the geopolitical situation with respect to the sanctions imposed on Russia, although recognises that the situation has caused oil price volatility. The Group continues to monitor its position to ensure it remains compliant with any sanctions in place.

FISCAL RISK AND GOVERNMENT TAKE

Unanticipated changes in the regulatory or fiscal environment can affect the Group's ability to access funding and liquidity. The change to the UK Energy Profits Levy ('EPL') introduced in the Autumn Budget Statement 2022 materially impacted the Group's RBL borrowing base and associated amortisation schedule. In the 2023 Autumn Budget Statement on 22 November, the UK Government confirmed that it will bring in legislation for the Energy Security Investment Mechanism and has agreed to index link the trigger floor price to CPI from April 2024. The Government also announced that once the decarbonisation allowance of 80% against EPL is withdrawn in March 2028, it will replace this with a new allowance at the same effective rate against the permanent tax regime. Further fiscal changes could be enacted should there be a change in UK government at the next general election. The Group will continue to monitor developments and any potential related impacts. The Group will continue to seek value-accretive opportunities, both through the pursuit of creative acquisition structures and continued focus on new energy projects.

Note that EPL could also impact the principal risks of **Portfolio Concentration** and **Financial.**

Key Performance Indicators ('KPIs'):
A HSEA (LTI) B Production (Boepd) C Unit opex ($/Boe) D Cash generated by operations ($ million)
E Cash capital and abandonment expense ($ million) F EnQuest net debt ($ million) G Net 2P reserves (MMboe) H Emissions (tCO_2e)

Key business risks
The Group's principal risks (identified from the 'Risk Library') are those which could prevent the business from executing its strategy and creating value for shareholders or lead to a significant loss of reputation. The Board has carried out a robust assessment of the principal risks facing the Group at its February meeting, including those that would threaten its business model, future performance, solvency or liquidity.

Cognisant of the Group's purpose and strategy, the Board is satisfied that the Group's risk management system works effectively in assessing and managing the Group's risk appetite and has supported a robust assessment by the Directors of the principal risks facing the Group.

Set out on the following pages are:
- The principal risks and mitigations;
- An estimate of the potential impact and likelihood of occurrence after the mitigation actions, along with how these have changed in the past year and which of the Group's KPIs could be impacted by this risk (see page 03) for an explanation of the KPI symbols); and
- An articulation of the Group's risk appetite for each of these principal risks.

Among these, the key risks the Group currently faces are materially lower oil prices for an extended period (see 'Oil and gas prices' risk on page 52), and/or a materially lower than expected production performance for a prolonged period (see 'Production' risk on page 53 and 'Subsurface risk and reserves replacement' on page 58), and/or further changes in the fiscal environment (see 'Financial' risk on page 54 and 'Fiscal risk and government take' on page 60), which could reduce the Group's cash generation and pace of deleveraging, which may in turn impact the Company's ability to comply with the requirements of its debt facilities and/or execute growth opportunities.

HEALTH, SAFETY AND ENVIRONMENT ('HSE')

RISK
Oil and gas development, production and exploration activities are by their very nature complex, with HSE risks covering many areas, including major accident hazards, personal health and safety, compliance with regulatory requirements, asset integrity issues and potential environmental impacts, including those associated with climate change.

APPETITE
The Group's principal aim is SAFE Results with no harm to people and respect for the environment. Should operational results and safety ever come into conflict, employees have a responsibility to choose safety over operational results. Employees are empowered to stop operations for safety-related reasons.

The Group's desire is to maintain upper quartile HSE performance measured against suitable industry metrics.

In 2023, EnQuest's Lost Time Incident frequency rate[1] ('LTIF') of 0.52 and three hydrocarbon releases, reported on page 40, challenged this objective. The lost time injuries were all associated with routine repetitive tasks across three assets. The root causes have been assessed and the Group is working closely with the contractors involved to ensure that everyone is aligned with EnQuest's safety culture, trained on equipment and procedures and empowered to stop a task should a safer method be identified. None of the hydrocarbon releases had common root causes and occurred at three different locations and, after thorough investigation, no systemic failure was identified within EnQuest systems.

The incidents occurred in the first part of the year and, since then, corrective and preventative actions have been implemented, no further LTIs or hydrocarbon release occurred in the remainder 2023.

1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

MITIGATION
The Group's HSE Policy is fully integrated across its operated sites and this enables a consistent focus on HSE. There is a strong assurance programme in place to ensure that the Group complies with its policy and principles and regulatory commitments.

The Group maintains, in conjunction with its core contractors, a comprehensive programme of assurance activities and has undertaken a series of in-depth reviews into the Risk Bowties that have demonstrated the robustness of the management process and identified opportunities for improvement. The Group-aligned HSE Continuous Improvement Plan promotes a culture of accountability and performance in relation to HSE matters. The purpose of this plan is to ensure that everyone understands what is expected of them by having realistic standards, governance, and capabilities to add value and support the business. HSE performance is discussed at each Board meeting and the mitigation of HSE risk continues to be a core responsibility of the Sustainability Committee. During 2023, the Group continued to focus on the control of major accident hazards and SAFE Behaviours.

POTENTIAL IMPACT

Medium (2022 Medium)

LIKELIHOOD

Medium (2022 Medium)

CHANGE FROM LAST YEAR

→

Reflecting the hazards associated with oil and gas development and production in harsh environments, the potential impact has increased albeit the likelihood of this risk has not changed. Through our HSE processes, there is continuous focus on the management of the barriers that prevent hazards occurring. The Group has a strong, open and transparent reporting culture and monitors both leading and lagging indicators and incurs substantial costs in complying with HSE requirements. The Group's overall record on HSE has been strong and is achieved by working closely and openly with contractors, verifiers and regulators to identify potential improvements through an active assurance process and implement plans to close any gaps in a timely manner.

RISK APPETITE

Low (2022 Low)

LINK TO STRATEGY

See Page 16

RELATED KPIS:

A B C D E F G H

See Page 03

In addition, the Group has positive and transparent relationships with the UK Health and Safety Executive and Department for Business, Energy & Industrial Strategy, and the Malaysian regulator, PETRONAS Malaysia Petroleum Management.

Key Performance Indicators ('KPIs'):
A HSEA (LTI) B Production (Boepd) C Unit opex ($/Boe) D Cash generated by operations ($ million)
E Cash capital and abandonment expense ($ million) F EnQuest net debt ($ million) G Net 2P reserves (MMboe) H Emissions (tCO_2e)

OIL AND GAS PRICES

RISK
A material decline in oil and gas prices adversely affects the Group's operations and financial condition as the Group's revenue depends substantially on oil prices.

APPETITE
The Group recognises that considerable exposure to this risk is inherent to its business but is committed to protecting cash flows in line with the terms of its reserve based lending ('RBL') facility.

MITIGATION
This risk is being mitigated by a number of measures.

As an operator of mature producing assets with limited appetite for exploration, the Group has limited exposure to investments which do not deliver near-term returns and is therefore in a position to adapt and calibrate its exposure to new investments according to developments in relevant markets.

The Group monitors oil price sensitivity relative to its capital commitments and its assessment of the funds required to support investment in the development of its resources. The Group will therefore regularly review and implement suitable programmes to hedge against the possible negative impact of changes in oil prices within the terms of its established policy (see page 178) and the terms of the Group's reserve based lending facility, which requires hedging of EnQuest's entitlement sales volumes (see page 178). From 1 April 2024, the Group had hedged approximately 6.6 MMbbls for 2024 and 2025. This ensures that the Group will receive a minimum oil price for some of its production.

The Group has an established in-house trading and marketing function to enable it to enhance its ability to mitigate the exposure to volatility in oil prices.

Further, the Group's focus on production efficiency supports mitigation of a low oil price environment.

POTENTIAL IMPACT
High (2022 High)

LIKELIHOOD
High (2022 High)

CHANGE FROM LAST YEAR
The potential impact and likelihood remain high, reflecting the uncertain economic outlook, including possible impacts from a global recession, geopolitical tensions and associated sanctions, and the potential acceleration of 'peak oil' demand.

The Group recognises that climate change concerns and related regulatory developments are likely to reduce demand for hydrocarbons over time. This may be mitigated by correlated constraints on the development of new supply. Further, oil and gas will remain an important part of the energy mix, especially in developing regions.

RISK APPETITE
Medium (2022 Medium)

LINK TO STRATEGY
See Page 16

RELATED KPIs:
B D E F G
See Page 03

PRODUCTION

RISK
The Group's production is critical to its success and is subject to a variety of risks, including: subsurface uncertainties, operating in a mature field environment, potential for significant unexpected shutdowns, and unplanned expenditure (particularly where remediation may be dependent on suitable weather conditions offshore).

Lower than expected reservoir performance or insufficient addition of new resources may have a material impact on the Group's future growth.

Longer-term production is threatened if low oil prices or prolonged field shutdowns and/or underperformance requiring high-cost remediation bring forward decommissioning timelines.

APPETITE
Since production efficiency and meeting production targets are core to EnQuest's business, the Group seeks to maintain a high degree of operational control over production assets in its portfolio. EnQuest has a very low tolerance for operational risks to its production (or the support systems that underpin production).

MITIGATION
The Group's programme of asset integrity and assurance activities provide leading indicators of significant potential issues, which may result in unplanned shutdowns, or which may in other respects have the potential to undermine asset availability and uptime. The Group continually assesses the condition of its assets and operates extensive maintenance and inspection programmes designed to minimise the risk of unplanned shutdowns and expenditure.

The Group monitors both leading and lagging KPIs in relation to its maintenance activities and liaises closely with its downstream operators to minimise pipeline and terminal production impacts.

Production efficiency is continually monitored, with losses being identified and remedial and improvement opportunities undertaken as required. A continual, rigorous cost focus is also maintained.

Life of asset production profiles are audited by independent reserves auditors. The Group also undertakes regular internal reviews. The Group's forecasts of production are risked to reflect appropriate production uncertainties.

The Sullom Voe Terminal has a good safety record, and its safety and operational performance levels are regularly monitored and challenged by the Group and other terminal owners and users to ensure that operational integrity is maintained. Further, EnQuest is committed to transforming the Sullom Voe Terminal to ensure it remains competitive and well placed to maximise its useful economic life and support the future of the North Sea.

The Group actively continues to explore the potential of alternative transport options and developing hubs that may provide both risk mitigation and cost savings.

The Group also continues to consider new opportunities for expanding production.

POTENTIAL IMPACT
High (2022 High)

LIKELIHOOD
Medium (2022 Medium)

CHANGE FROM LAST YEAR
There has been no material change in the potential impact or likelihood. The Group met its 2023 production guidance and continues to focus on key maintenance activities during planned shutdowns and procuring a stock of critical spares to support facility uptime.

RISK APPETITE
Low (2022 Low)

LINK TO STRATEGY
See Page 16

RELATED KPIs:
B C D E F G H
See Page 03

Key Performance Indicators ('KPIs'):
A HSEA (LTI) B Production (Boepd) C Unit opex ($/Boe) D Cash generated by operations ($ million)
E Cash capital and abandonment expense ($ million) F EnQuest net debt ($ million) G Net 2P reserves (MMboe) H Emissions (tCO_2e)

FINANCIAL

RISK
Inability to fund financial commitments or maintain adequate cash flow and liquidity and/or reduce costs.

Significant reductions in the oil price, production and/or the funds available under the Group's reserve based lending ('RBL') facility, and/or further changes in the UK's fiscal environment, will likely have a material impact on the Group's ability to repay or refinance its existing credit facilities and invest in its asset base. Prolonged low oil prices, cost increases, including those related to an environmental incident, and production delays or outages, could threaten the Group's liquidity and/or ability to comply with relevant covenants. Further information is contained in the Financial review, particularly within the going concern and viability disclosures on pages 29 and 30.

APPETITE
The Group remains focused on further reducing its leverage levels, targeting 0.5x EnQuest net debt to EBITDA ratio on a mid-cycle oil price basis, maintaining liquidity, controlling costs and complying with its obligations to finance providers while delivering shareholder value, recognising that reasonable assumptions relating to external risks need to be made in transacting with finance providers.

MITIGATION
Debt reduction remains a strategic priority. During 2023, the Group's strong free cash flow generation drove a $236.2 million reduction in EnQuest net debt to $480.9 million at 31 December 2023, with an EnQuest net debt to adjusted EBITDA ratio of 0.6x. During the year, EnQuest also entered into a term loan facility of up to $150 million and repaid its 2023 retail bonds, thus extending and aligning all debt maturities to 2027. At 27 March 2024, the Group's RBL facility was undrawn following repayments totalling $140.0 million in the first quarter of 2024, ensuring the Group remains ahead of the amended facility amortisation schedule and within its borrowing base limits.

Ongoing compliance with the financial covenants under the Group's reserve based lending facility is actively monitored and reviewed. EnQuest generates operating cash inflow from the Group's producing assets and reviews its cash flow requirements on an ongoing basis to ensure it has adequate resources for its needs.

Where costs are incurred by external service providers, the Group actively challenges operating costs. The Group also maintains a framework of internal controls.

These steps, together with other mitigating actions available to management, are expected to provide the Group with sufficient liquidity to meet its obligations as they fall due.

POTENTIAL IMPACT
High (2022 High)

LIKELIHOOD
High (2022 High)

CHANGE FROM LAST YEAR
There is no change to the potential impact or likelihood. While the Group has significantly reduced its debt and successfully refinanced its debt facilities in 2022 and entered into a new term facility in 2023, which extends the Group's debt maturities to 2027, the imposition of the Energy Profits Levy ('EPL') in the UK has impacted the level of available capital and associated amortisation schedule under the Group's RBL facility (see the going concern disclosure on page 29).

Factors such as climate change, other ESG concerns, oil price volatility and geopolitical risks have impacted investors' and insurers' acceptable levels of oil and gas sector exposure, with the availability of capital reducing while the cost of capital has increased. In addition, the cost of emissions trading allowances may continue to trend upward along with the potential for insurers to be reluctant to provide surety bonds for decommissioning, thereby requiring the Group to fund decommissioning security through its balance sheet.

RISK APPETITE
Medium (2022 Medium)

LINK TO STRATEGY

See Page 16

RELATED KPIs:
B C D E F G H

See Page 03

COMPETITION

RISK
The Group operates in a competitive environment across many areas, including the acquisition of oil and gas assets, the marketing of oil and gas, the procurement of oil and gas services and access to human resources.

APPETITE
The Group operates in a mature industry with well-established competitors and aims to be the leading operator in the sector.

MITIGATION
The Group has strong technical, commercial and business development capabilities to ensure that it is well positioned to identify and execute potential acquisition opportunities, utilising innovative structures, which may include the Group's competitive advantage of $2.0 billion of UK tax losses, as may be appropriate. The Group maintains good relations with oil and gas service providers and constantly keeps the market under review. EnQuest has a dedicated marketing and trading group of experienced professionals responsible for maintaining relationships across relevant energy markets, thereby ensuring the Group achieves the highest possible value for its production.

POTENTIAL IMPACT
High (2022 High)

LIKELIHOOD
High (2022 High)

CHANGE FROM LAST YEAR
The potential impact and likelihood remain unchanged, with the introduction of the UK EPL likely to impact industry participants' investment views of the UK North Sea, a number of competitors assessing the acquisition of available oil and gas assets and the rising potential for consolidation (for example, through reverse mergers). Operating in a competitive industry may result in higher than anticipated prices for the acquisition of assets and licences.

RISK APPETITE
Medium (2022 Medium)

LINK TO STRATEGY

See Page 16

RELATED KPIs:
B C D E F G H

See Page 03

Key Performance Indicators ('KPIs'):
A HSEA (LTI) B Production (Boepd) C Unit opex ($/Boe) D Cash generated by operations ($ million)
E Cash capital and abandonment expense ($ million) F EnQuest net debt ($ million) G Net 2P reserves (MMboe) H Emissions (tCO_2e)

IT SECURITY AND RESILIENCE

RISK
The Group is exposed to risks arising from interruption to, or failure of, IT infrastructure. The risks of disruption to normal operations range from loss in functionality of generic systems (such as email and internet access) to the compromising of more sophisticated systems that support the Group's operational activities. These risks could result from malicious interventions such as cyber-attacks or phishing exercises.

APPETITE
The Group endeavours to provide a secure IT environment that is able to resist and withstand any attacks or unintentional disruption that may compromise sensitive data, impact operations, or destabilise its financial systems; it has a very low appetite for this risk.

MITIGATION
The Group has established IT capabilities and endeavours to be in a position to defend its systems against disruption or attack.

A number of tools to strengthen employee awareness continue to be utilised, including videos, presentations, Viva Engage posts and poster campaigns.

During 2022, the Audit Committee agreed to update its terms of reference to highlight its responsibilities more explicitly with regard to the IT control environment, with the IT controls to be regularly reviewed during meetings. The Audit Committee also reviewed the Group's cyber-security measures and its IT resourcing model, noting the Group has a dedicated cyber-security manager. Work on assessing the cyber-security environment (including internal audit reviews) and implementing improvements as necessary has continued during 2023.

POTENTIAL IMPACT
Medium (2022 Medium)

LIKELIHOOD
High (2022 Medium)

CHANGE FROM LAST YEAR
The current geopolitical environment and the increased number of cyber attacks against companies in the sector in which the Group operates, and beyond, increases the likelihood of attempted cyber incursions against EnQuest. The Group continues to evolve its IT systems and resilience to mitigate this. There is no change to the impact of this risk.

RISK APPETITE
Low (2022 Low)

LINK TO STRATEGY
See Page 16

RELATED KPIs:
A B
See Page 03

PORTFOLIO CONCENTRATION

RISK
The Group's assets are primarily concentrated in the UK North Sea around a limited number of infrastructure hubs and existing production (principally oil) is from mature fields. This amplifies exposure to key infrastructure (including ageing pipelines and terminals), political/fiscal changes and oil price movements.

APPETITE
Although the extent of portfolio concentration is moderated by production generated in Malaysia, the majority of the Group's assets remain concentrated in the UK North Sea and therefore this risk remains intrinsic to the Group.

MITIGATION
This risk is mitigated in part through acquisitions. For all acquisitions, the Group uses a number of business development resources, both in the UK and internationally, to liaise with vendors/governments and evaluate and transact acquisitions. This includes performing extensive due diligence (using in-house and external personnel) and actively involving executive management in reviewing commercial, technical and other business risks together with mitigation measures.

The Group also constantly keeps its portfolio under rigorous review and, accordingly, actively considers the potential for making disposals and divesting, executing development projects, making international acquisitions, expanding hubs and potentially investing in gas assets, export capability or renewable energy and decarbonisation projects where such opportunities are consistent with the Group's focus on enhancing net revenues, generating cash flow and strengthening the balance sheet.

The Group has made good progress with its decarbonisation strategy, identifying three key focus areas of carbon capture and storage, electrification and green hydrogen production through its Infrastructure and New Energy business, which could provide diversified revenue opportunities in the long term.

POTENTIAL IMPACT
High (2022 High)

LIKELIHOOD
High (2022 High)

CHANGE FROM LAST YEAR
There has been no material change in the potential impact or likelihood. The Group is currently focused on oil production and does not have significant exposure to gas or other sources of income. However, the Group continues to assess acquisition growth opportunities with a view to improving its asset diversity over time.

RISK APPETITE
Medium (2022 Medium)

LINK TO STRATEGY
See Page 16

RELATED KPIs:
B C D
See Page 03

Key Performance Indicators ('KPIs'):
A HSEA (LTI) B Production (Boepd) C Unit opex ($/Boe) D Cash generated by operations ($ million)
E Cash capital and abandonment expense ($ million) F EnQuest net debt ($ million) G Net 2P reserves (MMboe) H Emissions (tCO_2e)

SUBSURFACE RISK AND RESERVES REPLACEMENT

RISK
Failure to develop its contingent and prospective resources or secure new licences and/or asset acquisitions and realise their expected value.

APPETITE
Reserves replacement is an element of the sustainability of the Group and its ability to grow. The Group has some tolerance for the assumption of risk in relation to the key activities required to deliver reserves growth, such as drilling and acquisitions.

MITIGATION
The Group puts a strong emphasis on subsurface analysis and employs industry leading professionals. The Group continues to recruit in a variety of technical positions which enables it to manage existing assets and evaluate the acquisition of new assets and licences.

All analysis is subject to internal and, where appropriate, external review and relevant stage gate processes. All reserves are currently externally reviewed by a Competent Person.

The Group has material reserves and resources at Magnus, Kraken, Golden Eagle and PM8/Seligi that it believes can primarily be accessed through low-cost workovers, subsea drilling and tie-backs to existing infrastructure.

The Group continues to consider potential opportunities to acquire new production resources that meet its investment criteria.

POTENTIAL IMPACT
High (2022 High)

LIKELIHOOD
Medium (2022 Medium)

CHANGE FROM LAST YEAR
There has been no material change in the potential impact or likelihood.

Low oil prices, lack of available funds for investment (see 'Financial' risk) or prolonged field shutdowns requiring high-cost remediation which accelerate cessation of production can potentially affect development of contingent and prospective resources and/or reserves certifications.

RISK APPETITE
Medium (2022 Medium)

LINK TO STRATEGY
See Page 16

RELATED KPIs:
B C E F G
See Page 03

PROJECT EXECUTION AND DELIVERY

RISK
The Group's success will be partially dependent upon the successful execution and delivery of potential future projects that are undertaken, including decommissioning, decarbonisation and new energy opportunities in the UK.

APPETITE
The efficient delivery of projects has been a key feature of the Group's long-term strategy. The Group's appetite is to identify and implement short-cycle development projects such as infill drilling and near-field tie-backs in its Upstream business, industrialise decommissioning projects to ensure cost efficiency and unlock new energy and decarbonisation opportunities through innovative commercial structures. While the Group necessarily assumes significant risk when it sanctions a new project (for example, by incurring costs against oil price assumptions), or a decommissioning programme, it requires that risks to efficient project delivery are minimised.

MITIGATION
The Group has teams which are responsible for the planning and execution of new projects with a dedicated team for each project. The Group has detailed controls, systems and monitoring processes in place, notably the Capital Projects Delivery Process and the Decommissioning Projects Delivery Process, to ensure that deadlines are met, costs are controlled and that design concepts and Field Development/ Decommissioning Plans are adhered to and implemented. These are modified when circumstances require and only through a controlled management of change process and with the necessary internal and external authorisation and communication. The Group's UK decommissioning programmes are managed by a dedicated directorate with an experienced team who are driven to deliver projects safely at the lowest possible cost and associated emissions.

Within Veri Energy, the Group is working with experienced third-party organisations and aims to utilise innovative commercial structures to develop new energy and decarbonisation opportunities.

The Group also engages third-party assurance experts to review, challenge and, where appropriate, make recommendations to improve the processes for project management, cost control and governance of major projects. EnQuest ensures that responsibility for delivering time-critical supplier obligations and lead times are fully understood, acknowledged and proactively managed by the most senior levels within supplier organisations.

POTENTIAL IMPACT
Medium (2022 Medium)

LIKELIHOOD
Low (2022 Low)

CHANGE FROM LAST YEAR
The potential impact and likelihood remain unchanged. As the Group focuses on reducing its debt, its current appetite is to pursue short-cycle development projects and to manage its decommissioning and Infrastructure and New Energy projects over an extended period of time.

RISK APPETITE
Medium (2022 Medium)

LINK TO STRATEGY
See Page 16

RELATED KPIs:
A B D E F G H
See Page 03

Key Performance Indicators ('KPIs'):
A HSEA (LTI) B Production (Boepd) C Unit opex ($/Boe) D Cash generated by operations ($ million)
E Cash capital and abandonment expense ($ million) F EnQuest net debt ($ million) G Net 2P reserves (MMboe) H Emissions (tCO_2e)

FISCAL RISK AND GOVERNMENT TAKE

RISK
Unanticipated changes in the regulatory or fiscal environment can affect the Group's ability to deliver its strategy/business plan and potentially impact revenue and future developments.

APPETITE
The Group faces an uncertain macroeconomic and regulatory environment.

Due to the nature of such risks and their relative unpredictability, it must be tolerant of certain inherent exposure.

MITIGATION
It is difficult for the Group to predict the timing or severity of such changes. However, through Offshore Energies UK and other industry associations, the Group engages with government and other appropriate organisations in order to keep abreast of expected and potential changes. The Group also takes an active role in making appropriate representations as it has done throughout the implementation period of the EPL.

All business development or investment activities recognise potential tax implications and the Group maintains relevant internal tax expertise.

At an operational level, the Group has procedures to identify impending changes in relevant regulations to ensure legislative compliance.

POTENTIAL IMPACT
High (2022 High)

LIKELIHOOD
High (2022 Medium)

CHANGE FROM LAST YEAR
There has been no material change in the potential impact; however, the likelihood has increased given the implementation of, and subsequent change to the EPL which will negatively impact free cash flow generation and therefore the Group's ability to balance further deleveraging and investment in its asset base.

RISK APPETITE
Medium (2022 Medium)

LINK TO STRATEGY

See Page 16

RELATED KPIs:
D E F

See Page 03

INTERNATIONAL BUSINESS

RISK
While the majority of the Group's activities and assets are in the UK, the international business is still material. The Group's international business is subject to the same risks as the UK business (for example, HSEA, production and project execution). However, there are additional risks that the Group faces, including security of staff and assets, political, foreign exchange and currency control, taxation, legal and regulatory, cultural and language barriers and corruption.

APPETITE
In light of its long-term growth strategy, the Group seeks to expand and diversify its production (geographically and in terms of quantum); as such, it is tolerant of assuming certain commercial risks which may accompany the opportunities it pursues.

However, such tolerance does not impair the Group's commitment to comply with legislative and regulatory requirements in the jurisdictions in which it operates. Opportunities should enhance net revenues and facilitate strengthening of the balance sheet.

MITIGATION
Prior to entering a new country, EnQuest evaluates the host country to assess whether there is an adequate and established legal and political framework in place to protect and safeguard first its expatriate and local staff and, second, any investment within the country in question.

When evaluating international business risks, executive management reviews commercial, technical, ethical and other business risks, together with mitigation and how risks can be managed by the business on an ongoing basis.

EnQuest looks to employ suitably qualified host country staff and work with good quality local advisers to ensure it complies with national legislation, business practices and cultural norms, while at all times ensuring that staff, contractors and advisers comply with EnQuest's business principles, including those on financial control, cost management, fraud and corruption.

Where appropriate, the risks may be mitigated by entering into a joint venture with partners with local knowledge and experience.

After country entry, EnQuest maintains a dialogue with local and regional government, particularly with those responsible for oil, energy and fiscal matters, and may obtain support from appropriate risk consultancies. When there is a significant change in the risk to people or assets within a country, the Group takes appropriate action to safeguard people and assets.

POTENTIAL IMPACT
Medium (2022 Medium)

LIKELIHOOD
Medium (2022 Medium)

CHANGE FROM LAST YEAR
There has been no material change in the impact or likelihood.

RISK APPETITE
Medium (2022 Medium)

LINK TO STRATEGY

See Page 16

RELATED KPIs:
A B D E F G H

See Page 03

Key Performance Indicators ('KPIs'):
A HSEA (LTI) B Production (Boepd) C Unit opex ($/Boe) D Cash generated by operations ($ million)
E Cash capital and abandonment expense ($ million) F EnQuest net debt ($ million) G Net 2P reserves (MMboe) H Emissions (tCO_2e)

JOINT VENTURE PARTNERS

RISK
Failure by joint venture parties to fund their obligations.

Dependence on other parties where the Group is non-operator.

APPETITE
The Group requires partners of high integrity. It recognises that it must accept a degree of exposure to the creditworthiness of partners and evaluates this aspect carefully as part of every investment decision.

MITIGATION
The Group operates regular cash call and billing arrangements with its co-venturers to mitigate the Group's credit exposure at any one point in time and keeps in regular dialogue with each of these parties to ensure payment. Risk of default is mitigated by joint operating agreements allowing the Group to take over any defaulting party's share in an operated asset and rigorous and continual assessment of the financial situation of partners.

The Group generally prefers to be the operator. The Group maintains regular dialogue with its partners to ensure alignment of interests and to maximise the value of joint venture assets, taking account of the impact of any wider developments.

POTENTIAL IMPACT
Medium (2022 Medium)

LIKELIHOOD
Low (2022 Low)

CHANGE FROM LAST YEAR
There has been no material change in the potential impact or likelihood.

RISK APPETITE
Medium (2022 Medium)

LINK TO STRATEGY

See Page 16

RELATED KPIs:
B C E F G

See Page 03

REPUTATION

RISK
The reputational and commercial exposures to a major offshore incident, including those related to an environmental incident, or non-compliance with applicable law and regulation and/or related climate change disclosures, are significant. Similarly, it is increasingly important that EnQuest clearly articulates its approach to and benchmarks its performance against relevant and material ESG factors.

APPETITE
The Group has no tolerance for conduct which may compromise its reputation for integrity and competence.

MITIGATION
All activities are conducted in accordance with approved policies, standards and procedures. Interface agreements are agreed with all core contractors.

The Group requires adherence to its Code of Conduct and runs compliance programmes to provide assurance on conformity with relevant legal and ethical requirements.

The Group undertakes regular audit activities to provide assurance on compliance with established policies, standards and procedures.

All EnQuest personnel and contractors are required to undertake an annual anti-bribery and corruption course, an anti-facilitation of tax evasion course and a data privacy course.

All personnel are authorised to shut down production for safety-related reasons.

The Group has a clear ESG strategy, with a focus on health and safety (including asset integrity), emission reductions, looking after its employees, positively impacting the communities in which the Group operates, upholding a robust RMF and acting with high standards of integrity. The Group is successfully implementing this strategy.

POTENTIAL IMPACT
High (2022 High)

LIKELIHOOD
Low (2022 Low)

CHANGE FROM LAST YEAR
There has been no material change in the potential impact or likelihood.

RISK APPETITE
Low (2022 Low)

LINK TO STRATEGY

See Page 16

RELATED KPIs:
A B D E F G H

See Page 03

HUMAN RESOURCES

RISK
The Group's success continues to be dependent upon its ability to attract and retain key personnel and develop organisational capability to deliver strategic growth. Industrial action across the sector, or the availability of competent people, could also impact the operations of the Group.

APPETITE
As a lean organisation, the Group relies on motivated and high-quality employees to achieve its targets and manage its risks.

The Group recognises that the benefits of a flexible and diverse organisation require creativity and agility to protect against the risk of skills shortages.

MITIGATION
The Group has established an able and competent employee base to execute its principal activities. In addition, the Group seeks to maintain good relationships with its employees and contractor companies and regularly monitors the employment market to provide remuneration packages, bonus plans and long-term share-based incentive plans that incentivise performance and long-term commitment from employees to the Group.

The Group recognises that its people are critical to its success and is therefore continually evolving EnQuest's end-to-end people management processes, including recruitment and selection, career development and performance management. This ensures that EnQuest has the right person for each job and that appropriate training, support and development opportunities are provided, with feedback collated to drive continuous improvement while delivering SAFE Results.

The culture of the Group is an area of ongoing focus and employee feedback is frequently sought to understand employees' views on areas, including diversity and inclusion and wellbeing in order to develop appropriate action plans. Although it was anticipated that fewer young people may join the industry due to climate change-related factors, 2023 saw a rise in the number of young professionals joining EnQuest. We believe the Group's decarbonisation ambitions as well as the graduate programme, introduced in 2023, has contributed to this change. EnQuest aims to attract and sustain the best talent, recognising the value and importance of diversity. The emphasis around improved diversity in the Group's management and leadership is a main focal point for the Board; further details on these are set out on page 31. The Group recognises that there is a gender pay gap within the organisation but that there is no issue with equal pay for the same tasks.

POTENTIAL IMPACT

Medium (2022 Medium)

LIKELIHOOD

Medium (2022 Medium)

CHANGE FROM LAST YEAR

There has been no material change to potential impact or likelihood.

RISK APPETITE

Medium (2022 Medium)

LINK TO STRATEGY

See Page 16

RELATED KPIs:

A B C D E F G H

See Page 03

The Group has reviewed the appropriate balance for its onshore teams between site, office, and home working to promote strong productivity and business performance facilitated by an engaged workforce, adopting a hybrid approach. EnQuest has now moved to a 4–1 office to work from home ratio to enhance productivity and motivate staff. The Group will continue to monitor such practices, adapting as necessary. The Group also maintains market-competitive contracts with key suppliers to support the execution of work where the necessary skills do not exist within the Group's employee base.

Executive and senior management retention, succession planning and development remain important priorities for the Board. It is a Board-level priority that executive and senior management possess the appropriate mix of skills and experience to realise the Group's strategy.

Business conduct

EnQuest has a Code of Conduct (which has been reviewed and refreshed in 2023) which it requires all personnel to be familiar with. The EnQuest Code of Conduct sets out the behaviour which the organisation expects of its Directors, managers and employees and of our suppliers, contractors, agents and partners. We are committed to conducting ourselves ethically, with integrity and to complying with all applicable legal requirements; we routinely remind those who work with or for us of our obligations in this respect.

Our employees and everyone we work with help to create and support our reputation, which in turn underpins our ability to succeed. This Code of Conduct addresses our requirements in a number of areas, including the importance of health and safety, compliance with applicable law, anti-corruption, anti-facilitation of tax evasion, anti-slavery, anti-competition, sanctions, export and import controls, addressing conflicts of interest, ensuring equal opportunities, combatting bullying and harassment and the protection of privacy.

The Group's induction procedures cover the Code of Conduct, and the Group runs both ad hoc and scheduled periodic training for personnel to refresh their familiarity with relevant aspects of the Code of Conduct and specific policies and procedures which support it such as the Group's anti-corruption programme. As part of its continual improvement planning in the space of business conduct, the Group is currently spearheading a project to enhance accessibility to materials and training on a broad range of ethics and compliance topics relevant to personnel including on fraud, money laundering, competition law and sanctions.

As part of the Group's Risk Management Framework, the Board is supplied annually with an 'assurance map' that provides an insight into the status of the main sources of controls and assurance in respect of the Group's key risk areas (see pages 46 to 64 for further information on how the Group manages its key risk areas). While this provides some formal assurance as to how the Group reinforces its requirements in respect of business conduct, the Board also recognises the importance of promoting the right culture within the Group and this remains an area of focus for the Group.

The Code of Conduct also includes details of the independent reporting line through which any concerns related to the Group's practices, or any suspected breaches of the Group's policies and procedures, can be raised anonymously and encourages personnel to report any concerns to the legal department and/or the General Counsel. Where concerns are raised (whether through the reporting line or otherwise), the General Counsel, reporting for this purpose to the Chairman of the Audit Committee, is required to look into the relevant concern, investigate and take appropriate action. Concerns raised in relation to potential conflicts of interest and safety practices, as well as more routine interfaces with regulatory authorities, are also reported to the Board and addressed appropriately.

"We are committed to conducting our business in accordance with our Values and to upholding the highest ethical standards, acting with integrity and adhering to the laws and regulations in the countries in which we operate."

The Code of Conduct includes a confirmation of EnQuest's commitments to adhere to applicable laws. The Group has zero tolerance for practices that breach applicable laws and expects the same of all with whom it has business dealings; for example, in relation to procurement, by requiring suppliers to confirm their commitment to various laws (including anti-slavery, tax and employment) before being qualified to supply the Group.

The Group has also supplemented its procedures to provide further assurance that it is able to identify and manage human rights risks in its supply chain. EnQuest publishes its modern slavery statement on its website at www.enquest.com, under the Environmental, Social and Governance section, where further detail on EnQuest's corporate responsibility policies and activities, including the area of business conduct, is also available.

The control room aboard EnQuest's Kraken FPSO

Task Force on Climate-related Financial Disclosures

The Group supports good governance and transparency in general, and specifically in relation to climate change. The Board recognises the societal and investor focus on climate change, and the desire to understand potential impacts on the oil and gas industry through meaningful disclosure, such as those recommended by the Task Force on Climate-related Financial Disclosures ('TCFD') and those required by the Companies Act via Climate-related Financial Disclosures ('CFD'). Listing Rule 9.8.6R requires companies to include climate-related financial disclosures consistent with the TCFD recommendations. EnQuest has complied with these requirements save for:

- Quantification of risks and opportunities within Strategy (b) and the associated Metrics and Targets; and
- Scope 3 recommendations within Metrics and Targets.

With regard to the quantification of risks and opportunities, through the Group's financial planning and liquidity management processes EnQuest has mature and well-established processes by which it quantifies the impacts of changing commodity prices and cost of emissions trading certificates on its business. These quantification processes are being expanded to assess the potential impact of various other risks and opportunities, details of which are set out below.

For Scope 3 recommendations, EnQuest has made progress towards compliance through the inclusion of certain Scope 3 emissions within the metrics and targets section (items (a) and (b)) on a phased basis. During 2023, the Group has incorporated verified Scope 3 emission category 5 'waste generated in operations' data. In line with both the Group's Continuous Improvement Plan ('CIP') and the United Nations-adopted Sustainable Development Goal ('SDG') 12, Responsible Consumption & Production, EnQuest will commence reporting on this category from 1 January 2023. The Group is also now capturing data per category 4 'upstream transportation and distribution' and is exploring the potential for reporting category 11 'use of sold products'. The Group is planning, therefore, to report against three categories of Scope 3 emissions in the 2024 Annual Report and Accounts.

	EnQuest disclosure	Additional/related information
Governance Disclose the organisation's governance around climate-related risks and opportunities	EnQuest's purpose is to provide creative solutions through the energy transition. As such, climate-related risks and opportunities are a core part of the organisation's considerations, from Board level to its operational and functional teams, with emission reductions an important part of both management's and the wider organisation's variable remuneration. During 2022, the Board and Executive Committee approved the enhancement of the Group business model to include a focus on repurposing existing infrastructure to support its renewable energy and decarbonisation ambitions, including targeting carbon capture and storage, electrification and green hydrogen production. This model has been further enhanced during 2023 by the launch of Veri Energy, a wholly owned subsidiary of EnQuest, to provide dedicated management of the Group's new energy and decarbonisation projects. An organogram outlining the Group's Risk Management Framework can be found on page 48.	See pages 36 to 39 (Environmental), 46 to 64 (Risks), 76 to 78 (s172), 92 to 98 (Audit Committee report), 99 to 117 (Directors' Remuneration Report), 118 to 119 (Sustainability Committee report) and 120 to 124 (Directors' report)

(a) Describe the Board's oversight of climate-related risks and opportunities.
The Board takes full responsibility for the governance of climate-related risks and opportunities, building such considerations into several of its processes, including reviewing and guiding strategy and major plans of action alongside setting budgets, plans and objectives and monitoring performance accordingly. The Sustainability Committee (previously named the Safety, Sustainability and Risk Committee), a dedicated sub-Committee of the Board, has specific climate-related responsibilities incorporated into its terms of reference, with these responsibilities including: assessment of the Group's exposure to managing risks from 'climate change' and reviewing actions to mitigate these risks in line with its assessment of other risks; reviewing and monitoring the Group's decarbonisation activities, including reviewing the adequacy of the associated framework; and reviewing targets and milestones for the achievement of decarbonisation objectives. In addition, a designated member of the Committee has responsibility for the Company's decarbonisation activities. The Committee generally meets four times per year and, at each meeting, reviews a report sponsored by a Board member of the Committee which includes a summary of performance against short- and long-term emission reduction targets and outlines future opportunities and updates. The Committee also reviews the Group's Risk Management Framework ('RMF') performance report.

The Board receives a separate summarised version of the above update on climate-related issues as part of the health, safety, environment and assurance ('HSEA') report that is delivered during each of the five scheduled Board meetings by the HSEA Director.

The Board also receives reports covering the Group's financial and operational performance, which include the progress being made in developing the Group's new energy and decarbonisation opportunities, and monitors performance against Group emission reduction targets. Progress in developing these growth opportunities is linked to reward as a component of the Company Performance Contract (see page 109 of the Directors' Remuneration Report).

Collectively, the Board and management also keep appraised of the evolving risk and opportunity landscape and its potential impacts on the Company's business by consulting as appropriate with the Group's advisers and appropriate third-party institutions, including fund managers, investors and industry associations such as Brindex and Offshore Energies UK.

(b) Describe management's role in assessing and managing climate-related risks and opportunities.
EnQuest's Chief Executive Officer has ultimate responsibility for assessing and managing climate-related risks and opportunities and is supported in this endeavour by the CEO of Veri Energy (a wholly-owned subsidiary of EnQuest), the Group's Chief Risk Officer and the HSEA Director.

Management, through a combination of the Executive Committee, Operations Committee and the HSEA Directorate, regularly reviews Company performance and the Group's risk registers. The CFO is responsible for ensuring the Group also recognises the impacts of climate-related risks and opportunities appropriately in its financial statements, including judgements and estimates, such as future oil and emission trading certificate prices and the costs and benefits associated with emissions reduction projects, and other relevant disclosures.

The Group also has an energy management system governance document setting out how it approaches the measurement and reporting of emissions and how the Group will assess and select emission reduction opportunities, with a working group dedicated to the identification and implementation of economically-viable emissions savings opportunities across the Group's portfolio of assets. This working group reports to the Executive Committee regularly and the Sustainability Committee at each scheduled meeting.

The Group's legal, commercial, company secretariat, investor relations and communications teams monitor the regulatory, legal, capital markets and competitive/commercial environments, providing reports to management (and the Board) as required.

	EnQuest disclosure	Additional/related information
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	EnQuest's strategic vision is to be the partner of choice for responsible management of existing energy assets, applying its core capabilities to create value through the transition. Its business model covers the full energy transition landscape: Upstream aims to responsibly optimise production to support today's energy needs; Veri Energy aims to leverage repurposed existing infrastructure through repurposing to deliver new energy and decarbonisation opportunities; while Decommissioning aims to manage end of field life and post-cessation of production operations to deliver safe and efficient execution of decommissioning work programmes in a responsible manner. This integrated business model, which incorporates the Group's plans for transitioning to a lower-carbon economy, provides mitigation against each of the potential climate-related transition risks noted below, which have the potential to have substantive financial or strategic impact unless stated to be 'not material'. The financial or strategic impact of a risk or opportunity is assessed and measured based on the potential net present value ('NPV') negative impact of the particular risk. These assessments are made through the Group's annual planning and budgeting process, as well as on an ad hoc basis when assessing specific risks or opportunities that may arise. The Group has an investment committee that reviews investment decisions, with additional support and review provided by the Sustainability Committee if required.	See pages 3 to 13 (KPIs, Chairman and CEO statements), 22 to 23 (Veri Energy review), 26 to 30 (Financial review), 36 to 39 (Environmental), 46 to 64 (Risks) and 138 (Financial statements)

(a) Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.
EnQuest has offshore oil and gas assets in the UK and Malaysia and has assessed climate-related risks and opportunities jointly for this one sector and both geographies. Exceptions are detailed in the table on the next page.

EnQuest considers within one year to be short-term (which aligns with the Group's budgeting process and assessment of going concern), one to three years to be medium-term (which is in line with the Group's assessment of viability and the period over which the Group prepares detailed plans) and the longer-term to be beyond three years (for which EnQuest tests its life of field estimates against its internal price assumptions and the International Energy Agency's Announced Pledges ('APS'), and Net Zero Emissions by 2050 ('NZE') Scenarios).

Using a mix of quantitative and qualitative measures, the Group has made an assessment of the potential impact and likelihood of the climate-related risks or opportunities set out in the table on the following page. This is in line with common enterprise risk management system practice.

Task Force on Climate-related Financial Disclosures continued

Risk type	Climate-related risk	EnQuest risk management
Transition	**Market (all geographies and timeframes unless otherwise stated)** • Demand for oil and gas and associated pricing adversely affects the Group's operations and financial condition as the Group's revenue depends substantially on oil prices (long-term) • Emissions trading allowances impact costs (UK only, as Malaysia does not have the same regulatory requirement) • Access to capital (see Financial risk on page 54): The Group has substantial existing credit facilities, needs to invest in its asset base and aims to pursue value-accretive M&A. Wider market forces, including interest rates, investor sentiment and ESG requirements, impact the Group's ability to raise capital • Supply-side constraints due to competing demand for equipment and/or services as supply chain migrates to support alternative sectors could increase costs and/or result in delayed work programmes, ultimately impacting revenue generation (long-term)	• Planning and investment decision process caters for low oil price scenarios and includes a carbon cost associated with forecast emissions (see metrics and targets (a) – Transition risks and carbon prices) • The Group actively monitors current and future oil prices (see Oil and gas prices risk on page 52) through its Marketing and Trading organisation, which is also responsible for purchases of emissions trading allowances (see metrics and targets (a) – Transition risks and carbon prices) • The Group closely monitors and manages its funding position and liquidity risk throughout the year (see Financial risk on page 54). EnQuest's new energy and decarbonisation opportunities were a significant factor in attracting new investors in the Group's 2022 and 2023 refinancing activities • The Group maintains relationships with key stakeholders, including governments, regulators, financial institutions, advisers, industry participants and supply chain counter-parties
	Policy and legal (all geographies) • Regulatory or legislative changes (including emissions trading schemes and flaring allowances, for example): Facility modifications, regulatory sanctions/fines and litigation risk (medium and long-term) • Country policies (including net zero targets): Facility modification investment, regulatory sanctions/fines and litigation risk (long-term) • Increased direct and/or indirect taxes (long-term) • Each of the above could require additional capital investment, potentially at a lower return than traditional projects, or increase costs	• Targeted emission reductions and assessing opportunities to reduce flaring, for example (see page 123) (see metrics and targets (a) – Scope 1, 2 and 3 absolute emissions and emissions intensity) • The UK Energy Profits Levy includes incentives for both oil and gas and decarbonisation investments, which the Group aims to utilise (see metrics and targets (a) – Climate-related opportunities) • Maintaining relationships with government and regulatory bodies • Engaging with a variety of external advisers and appropriate third-party institutions to ensure awareness, advance planning and integration to ensure ongoing compliance
	Reputation (all geographies and timeframes, unless otherwise noted) • Negative perception of the oil and gas industry • Lack of credible transition plan • Failure to adhere to regulatory or legislative requirements (medium and long-term) • The perception of the oil industry has already impacted access to and the cost of capital. In the longer term, the above risks could impact the willingness of counterparties to transact with EnQuest, increasing costs, the availability of a skilled workforce, leading to higher costs and/or lower revenues, or regulatory or legal action	• Development of Veri linked to reward (see metrics and targets (a) – Scope 1, 2 and 3 absolute emissions and emissions intensity, Climate-related opportunities, Capital deployment and Remuneration) • Clear and credible emission reduction targets linked to reward (see metrics and targets (a) – Scope 1, 2 and 3 absolute emissions and emissions intensity, and Remuneration) • Continued engagement with all stakeholders, including participation in credible climate initiatives, such as the CDP survey and submission of Emission Reduction Action Plans ('ERAP') to the North Sea Transition Authority • Emissions Management Team that develops and drives continual improvement on Scope 1 and 2 emission reduction opportunities in line with the Group's overall targets (see metrics and targets (a) – Scope 1, 2 and 3 absolute emissions and emissions intensity) • Emissions Management Team is also responsible for development of Group reporting on Scope 3, including verified reporting on category 5 'waste generated in operations' for 2018–2023 (see metrics and targets (a) – Scope 1, 2 and 3 absolute emissions and emissions intensity) • Regular asset-level emissions measurement, monitoring and reporting with timely corrective action taken if necessary (see metrics and targets (a) – Scope 1, 2 and 3 absolute emissions and emissions intensity, Transition risks and carbon prices and Capital deployment) • High standards of business conduct (see page 65)

Risk type	Climate-related risk	EnQuest risk management
Transition	**Technology (all geographies, medium- to long-term)** • Alternative, lower-emission products and services could accelerate the transition away from oil and gas, impacting demand • Costs of new technologies could limit the timing and economics of existing oil and gas and decarbonisation projects	• Carbon capture and storage studies have identified the potential to store up to 10mtpa of CO_2 from stranded emitters in depleted North Sea reservoirs, while EnQuest's electrification and hydrogen ambitions could harness renewable energy to help decarbonise offshore developments and a number of other industries, respectively (see metrics and targets (a) – Climate-related opportunities and Capital deployment) • Continued engagement with relevant new energy and decarbonisation stakeholders, including potential strategic and financial partners (see metrics and targets (a) – Climate-related opportunities and Capital deployment) • Continued engagement with suppliers, requiring provision of services with a lower emissions footprint (see metrics and targets (a) – Climate-related opportunities and Capital deployment)
Physical	**Acute (all geographies, short- and medium-term)** • Adverse and/or severe weather (storms, cyclones, extreme heat or cold) resulting in asset downtime and impacting revenue, or increasing health and safety risk to staff	• Action and response plans, including effective supply change management, to manage risks and extent of downtime to as low as reasonably possible (see metrics and targets (a) – Physical risks)
	Chronic (all geographies long-term) • Rising sea levels, tidal impacts and other extreme weather causes extensive/irreparable damage to assets impacting capital and/or operating costs or early decommissioning of assets	• EnQuest considers these risks to be not material given the Group's focus on asset integrity and the expected remaining life of its assets see metrics and targets (a) – Physical risks)

Task Force on Climate-related Financial Disclosures continued

With EnQuest's business model spanning the entire energy transition spectrum, the Group is well positioned to assess and pursue a number of climate-related opportunities.

Opportunity type	Climate-related opportunities	EnQuest action
Energy source (long-term and UK-only at present)	• Use of lower emission sources of energy • Shift towards decentralised energy generation • Use of supportive policy incentives • Use of new technologies	• Progressing the potential to facilitate the electrification of nearby offshore oil and gas assets and planned developments • Assessing onshore wind potential on Shetland • Commencement of project to deliver new grid-connected power solution for Sullom Voe Terminal ('SVT') • Assessing initial 50MW green hydrogen project at SVT supported by government-backed fund matching worth £1.74 million • Progressing gas tie-back from Bressay to Kraken to displace diesel as Kraken FPSO primary fuel • Completion of modifications to the Heather asset power generation equipment to minimise emissions during decommissioning
Resilience (all geographies and timeframes, unless otherwise stated)	• Resource substitutes/diversification (UK only at present) • Participation in renewable energy programmes and adoption of energy efficiency measures • Access to M&A opportunities: Noting other industry participants need to dispose of assets to meet their own ESG targets	• Strengthened climate change oversight through the introduction of an Energy (Emission) Management System - Structure & Governance procedure. The procedure itself is structured to align with the internationally recognised structure for an energy management system in relation to ISO 50001 • Pursuing carbon capture and storage, electrification and green hydrogen production opportunities at scale at SVT (long-term) • New development opportunities to be assessed in terms of low emission power generation (medium-term) • The Group maintains relationships with key stakeholders, including regulators, financial institutions, advisers and industry participants
Products and services (all geographies and timeframes, unless otherwise stated)	• Development and/or expansion of low emission goods and services (long-term, with the exception of supplier engagement which is all timeframes) • Ability to diversify business activities (long-term)	• Pursuing carbon capture and storage which will store up to 10mtpa of CO_2 from stranded emitters in depleted North Sea reservoirs • Assessing the potential to facilitate the electrification of nearby offshore oil and gas assets and planned developments • Exploring the potential for harnessing the advantaged natural wind resource around Shetland for the production of green hydrogen and derivatives at export scale in order to provide a low-carbon alternative fuel which could help to decarbonise a number of industries • Continued engagement with suppliers, requiring provision of services with a lower emissions footprint to ultimately improve efficiencies and reduce costs
Market (long-term and UK-only)	• Access to new markets • Use of supportive policy incentives	• Pursuing carbon capture and storage, electrification and green hydrogen production opportunities at scale at SVT
Resource efficiency (all geographies and timeframes)	• Use of more efficient production and distribution processes • Use of recycling	• Focused on absolute emission reductions in all operations see metrics and targets section) • Measurement of waste generated in operations, with 2023 reporting in line with Category 5 Scope 3 emissions (see metrics and targets section) • Assessment of options to repurpose existing infrastructure prior to any decision to cease production and begin asset decommissioning • Decommissioning business seeks to maximise reuse and/or recycling

(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

The Group considers as part of its strategic, business planning and risk processes how a number of macroeconomic themes may influence its principal risks. The most material risk factor to EnQuest's business model is the oil price, with climate change representing one of many potential influencing factors on the oil price. In the short to medium term, EnQuest reviews the impact of different oil prices in its going concern and viability assessments. The Group's Marketing and Trading team is responsible for optimising sales of the Group's production, including developing and implementing the Group's hedging programme. The potential impact of a change in oil price on the Group's carrying amount of oil and gas assets is outlined in note 2 of the Financial Statements. The Group's Marketing and Trading team is also responsible for purchasing emissions trading allowances in the UK, with the costs of these allowances forecast to make up almost 5% of the Group's operating costs in 2024.

The Group monitors its cash position, cash forecasts and liquidity on a regular basis and takes a conservative approach to cash management, with variance analysis run to reflect different scenarios. This is done to identify risks to liquidity and covenant compliance and enable management to formulate appropriate and timely mitigation strategies as necessary. Specific financial risks of climate change considered include access to, and cost of, capital, insurance and decommissioning surety bonds as investors' and insurers' appetite for exposure to the oil and gas sector reduces across all timeframes. It is difficult to quantify the precise impact on access to and cost of capital given the number of other constituent factors in such transactions, including the state of global financial markets at the time such a transaction takes place. The potential impact of a change in the Group's discount rate, which considers the Group's cost of capital, is outlined in note 2 of the Financial Statements.

The Group has a proven track record of executing value-accretive acquisitions, although the timing of such events is uncertain. As majors and other operators continue to shift their focus from mature basins such as the North Sea and Malaysia, there will be further opportunities for the Company to access additional oil and gas resources, with gas resources offering product diversification into a necessary transition fuel. Where new assets are acquired, there will be a clear emission reductions plan for any such asset for which EnQuest assumes operatorship, relative to the carbon footprint in the hands of the seller, and the Group factors in an associated carbon price into the acquisition economics, even in markets where no carbon trading or pricing mechanism exists.

Following the establishment of the Infrastructure and New Energy ('I&NE') business in 2021 and having progressed three significant new energy and decarbonisation opportunities at Sullom Voe Terminal, the Group launched Veri with responsibility for delivering the Group's short- and medium-term emission reduction objectives and advancing longer-term renewable energy and decarbonisation opportunities. These opportunities are centred around repurposing the strategically advantaged Sullom Voe Terminal, which the Group operates, positioning EnQuest as a credible energy transition company. Veri represents the logical next step in the strategic evolution of EnQuest's new energy and decarbonisation ambitions, enabling the project team to move forward with a focused management structure and the potential to leverage financial and strategic partnerships.

During 2023, EnQuest's Board approved a commitment to reach net zero in respect of Scope 1 and Scope 2 emissions by 2040. The Group set interim targets, linked to reward, to reduce Group-wide Scope 1 and Scope 2 emissions by 10% by 2023 against a 2020 baseline; achieving a 23% reduction. A further 10% reduction target has been set over the next three-year period, 2021-2024. EnQuest is also monitoring progress against the UK North Sea Transition Deal ('NSTD') goals which contribute to the UK Government's target of net zero by 2050 and require reductions against a 2018 baseline of 10% by 2027, 25% by 2030 and 50% by 2030. At the end of 2023, EnQuest had reduced UK Scope 1 and Scope 2 emissions by 41%. All milestones occur in the medium to long term.

(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

The Group has measured the resilience of its existing portfolio and future development plans again as part of its 2023 full year results process, having previously updated scenario analysis 12 months ago. In its scenario modelling, the Group incorporates the estimated oil price and cost of emissions, with the oil price deemed to be the most influential risk to its business, that would prevail under the International Energy Agency's Announced Pledges ('APS'), and Net Zero Emissions ('NZE') Scenarios. The APS assumes that all RAS climate commitments made by governments and industries around the world by the end of August 2023, for both 2030 targets and longer-term net zero or carbon neutrality pledges will be met in full and on time and shows how close current pledges get the world to the target of limiting global warming to 1.5°c, while the NZE shows an accelerated pathway for the global energy sector to achieve net zero CO_2 emissions by 2050 and is consistent with limiting the global temperature rise to 1.5°c. The Group continues to generate positive free cash flow when using assumptions based on the APS, although cash flow becomes negative when using assumptions based on the NZE. As outlined in the Group's viability statement on page 30, should oil prices be lower than assumed in its Plausible Downside Case projections, the Group may be required to undertake mitigating actions to meet its various obligations. EnQuest's business model enables the Group to adapt to a changing external environment, with short-cycle investments reducing the risk of 'stranded assets' in its upstream business, while the Group is pivoting towards new energy and decarbonisation with the activities being pursued by Veri.

Task Force on Climate-related Financial Disclosures continued

	EnQuest disclosure	Additional/related information
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	The Group has robust risk management and business planning processes that are overseen by the Board, the Sustainability Committee and the Executive Committee in order to identify, assess and manage climate-related risks, while the Audit Committee oversees the effectiveness of the Risk Management Framework. The risk landscape inputs and considerations are outlined on page 48 and cover long-term macro factors and near-term and emerging risks.	See pages 46 to 64 (Risks) and 118 to 119 (Sustainability Committee report)

(a) Describe the organisation's processes for identifying and assessing climate-related risks.
The Group's RMF is embedded in all levels of the organisation with asset, regional and functional risk registers aggregating to an enterprise risk register, as outlined below, identifying relevant threats and how they are mitigated, while the adequacy and efficacy of controls in place are themselves also monitored. This integration enables the Group to quickly identify, escalate and appropriately manage emerging risks, with a quarterly RMF report reviewed by leadership teams and presented to the Sustainability Committee. All risks are assessed based on their estimated potential impact and likelihood with respect to people, environment, asset/business and reputation ('PEAR') on a pre- and post- mitigation basis, with judgements reviewed by peers and/or management as appropriate.

The Group is targeting being net zero by 2040 and seeks to ensure that suitable and sufficient controls are in place to deliver against its environmental, social, governance ('ESG') strategy. EnQuest uses Hurdle Risk as the risk management tool for identification, measurement and mitigation of risks and requires an assessment of value associated with a given risk. The Risk Management Process takes place across four key areas: Group, Region, Asset and Functional:
- Group level - An Enterprise Risk Register and Risk Report provides the Board and executive management with a single view of risk across the Group to aid strategic decision making. This reflects the overall Risk Management Strategy and responses to individual risks, including climate-related risks, with a focus on reporting risks that are critical from a decision-making perspective. Critical risks are those that are assessed as having the greatest potential impact and likelihood with respect to PEAR on a pre- and post-mitigation basis;
- Region level - Risk registers are available for the North Sea and Malaysia. These registers include details of all relevant operational, execution, HSE, organisational, financial, legal and contractual risks facing each of the business units;
- Asset level - Risk registers are developed for all operated assets. These registers include details of all relevant operational, executional, HSEA, organisational, financial, legal and contractual risks facing each asset; and
- Functional level - A risk register is developed for any improvement opportunities and deficiencies in the risk controls for the legal, commercial, HSEA, organisational, financial and business services risk categories. The functional assessments review the effectiveness of policy and management systems in place and identify critical gaps and/or areas of non-compliance within the Group.

Through EnQuest's Environmental Management System, all environmental aspects and risks are identified using EnQuest's Environmental Aspects and Impacts Identification Procedure and are recorded in an Environmental Aspects and Impacts Register. Similarly, the process of developing an asset or project-specific aspects and impacts register entails a systematic review of operational activities, identifying effective control measures, mitigations and/or improvement plans at all stages in the project life cycle from inception, through to abandonment and decommissioning. The people undertaking this process shall be competent with the requisite experience and technical knowledge, so that a high-quality review of an activity, project, process, design or an operation is carried out. Aspects may be identified through workshops, meetings, reviews and audits and separated into two groups; planned and unplanned. EnQuest has also established an Identification and Evaluation of Compliance Obligations Procedure in order to ensure that the organisation is aware of and understands how its activities are (or will be) affected by current and new legislative requirements. This procedure is aligned with the requirements of ISO 14001:2015. Furthermore, the Group strengthened its climate change oversight through the introduction of an Energy (Emission) Management System - Structure & Governance procedure (as noted in the Strategy (a) disclosure). The HSEA team keeps up to date with the identification and maintenance of awareness of compliance obligations through professional subscriptions, by consulting relevant websites, including regulatory and government departments, as well as through training, attendance of seminars, conferences, network forums and meetings. Consultations with government, other regulatory agencies and any other stakeholders may also be required. Other compliance requirements are identified and recorded from the Group's HSEA Policy, licences, permits and authorisations and industry standards and codes of practice. The result of the evaluation of compliance is detailed in the monthly KPI report, while on a routine basis, the HSEA teams review and discuss open non-conformances and any new legal requirements.

(b) Describe the organisation's processes for managing climate-related risks.
The Sustainability Committee also provides a forum for the Board to review selected individual risk areas in greater depth. Climate change is categorised as a standalone risk area within the Group's 'Risk Library', allowing the application of EnQuest's RMF to underpin its approach in this important area. For each risk area, the Sustainability Committee reviews 'Risk Bowties' that identify risk causes and impacts and maps these to preventative and containment controls used to manage the risks to acceptable levels. Climate change-related issues cover both physical and transition risks in accordance with the TCFD framework (as outlined in the Strategy section (a)). They are also considered within the context and review of several other risk areas, such as oil price, (see the Strategy and Risk management sections for the Group's assessment of financial materiality and potential impact and likelihood with respect to PEAR, respectively).

A Continuous Improvement Plan ('CIP') describes EnQuest's improvement initiatives, what the Company will do to achieve them and how it will measure success. Specific objectives, targets and actions are developed and cascaded to all levels within the organisation, including a number related to the management of climate-related risks.

In addition to the CIP, EnQuest has defined Key Performance Indicators ('KPIs'), which are used to monitor performance. They take into account the significant environmental aspects and the Company's compliance obligations.

(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.
See the Risk management disclosure (a) for a description of how climate-related risks are integrated into EnQuest's overall RMF. Risks are uploaded to the Group's risk software tools which assign ownership for the risks with associated systemised monitoring of mitigations being closed out. These systems require the risk owner to assess the materiality of each given risk before and after mitigations in accordance with the Group's materiality thresholds (outlined in the metrics and targets section below).

	EnQuest disclosure	Additional/related information
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Absolute emissions and their reduction are a key area of focus for EnQuest given the Group's net zero commitment in respect of Scope 1 and Scope 2 emissions by 2040 and its desire to play its part in the UK's drive towards net zero by 2050 (2045 in Scotland). EnQuest operates offshore in the UK and Malaysia, which are highly regulated mature hydrocarbon provinces. The Group has a well-established HSEA Policy outlining its commitment to integrating environmental management into its operations, with its Environmental Management System ensuring the Group manages and mitigates its impact on the environment and complies with the regulatory requirements in the areas in which it operates. Through this process, the Group has not identified any material risks associated with water, energy, land use, and waste management. EnQuest has considered the climate-related metric categories in Table A2.1 within the TCFD implementation guidance but has not set any other metrics or targets beyond those listed below.	See pages 03 (KPIs), 22 to 23 (Infrastructure - Midstream review), 36 (Environmental), 76 (s172), 109, 110 and 111 (CPC and PSP disclosures within the Directors' Remuneration Report) and 123 (GHG emissions disclosures in the Directors' report)

	EnQuest disclosures	
	Metrics – consistent with prior year unless otherwise stated	Description
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Scope 1, 2 and 3 absolute emissions and emissions intensity Scope 1 and 2 metrics are consistent with prior years. Scope 3 metrics are new additions in 2023.	EnQuest operates in an industry and geography in the UK that has agreed medium- and long-term absolute Scope 1 and 2 emission reduction targets, expressed as percentage reductions in tonnes of CO_2 equivalent emissions. As such, the Group monitors progress against these and its own associated targets (see metrics and targets (c)). The Group has also embarked on the reporting of selected Scope 3 emissions, with verified data on Category 5 'waste generated in operations' included within the 2023 Annual Report and Accounts. The Group is also collating data relating to Category 4 'upstream transportation and distribution' and exploring Category 11 'use of sold products'. The Group expects, therefore, to report against three categories of Scope 3 emissions in the 2024 Annual Report and Accounts. The Group has defined criteria for screening and ranking emission reduction opportunities within its existing operations, including: the potential contribution to the Group's targets; economic indicators; the chance of success; time to implement; and any risks to the Group's production. The Group also monitors its emissions intensity ratio (as set out in the Directors' report on page 123), recognising the impact this metric has on certain risks and opportunities, such as reputation, access to capital and M&A opportunities.

Task Force on Climate-related Financial Disclosures continued

	EnQuest disclosure	
	Metrics – consistent with prior year unless otherwise stated	**Description**
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. (continued)	Transition risks and carbon prices	The Group primarily produces oil from its offshore installations and so deems the oil price and costs of emissions to be the most material risks to its business, particularly as these metrics are impacted by other of the identified transition risks and opportunities outlined in Strategy (a). As such, the Group actively monitors the price of oil and cost of emissions trading allowances, hedging a proportion of its exposure to oil prices to ensure a minimum price is received for its production. EnQuest uses oil and carbon prices in its internal planning and investment (including M&A) decision-making processes. The Group's forward-looking oil prices are disclosed in note 2 of the financial statements, while the carbon price is set in relation to the UK Emissions Trading Scheme forward price curve. For 2024, the Group's forecast carbon price is £40 per tonne.
	Physical risks	All of the Group's assets are in offshore environments and so subject to physical risks, as outlined in Strategy (a).
	Climate-related opportunities	Within Veri, EnQuest is assessing opportunities that could deliver operations at scale in the long term. For example, the Group's carbon capture and storage opportunity has identified the potential to store up to 10mtpa of CO_2 from stranded emitters in depleted North Sea reservoirs, potentially taking the Company beyond net zero, in comparison to the Group's reported Scope 1 and 2 emissions footprint. During 2023, the Group was awarded four licences across two licence areas in the NSTA's first UK carbon storage licensing round, while in 2024 the Group secured £1.74 million of funding from the UK government's Net Zero Hydrogen Fund to initiate study work for a 50MW green hydrogen project at SVT.
	Capital deployment	The Group's new energy and decarbonisation projects are at an early stage. As such, EnQuest is currently allocating less than 2% of its operating and capital expenditure budget to such activities to minimise regret costs. Such expenditures are reset on an annual basis.
	Remuneration	The Group's emission reduction targets and progress of its energy transition and decarbonisation strategy development and execution are linked to short-term and long-term remuneration, as set out in the Directors' Remuneration Report (see pages 109 to 112).
(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions, and the related risks.	As outlined in the Directors' Report, EnQuest discloses Scope 1 and 2 emissions and associated intensity outcomes on an operational control basis. The Group also discloses limited Scope 3 emission data, aligned to Category 5 'waste generated in operations' and has plans to collate additional Scope 3 data in 2024. The Group's GHG emissions data disclosed in the Directors' report and throughout the ARA is verified by Lucideon. The Group is cognisant of the risks of access to capital and people, rising emission costs and reputational and regulatory risks associated with failure to adhere to policies and guidelines or missing targets.	

	EnQuest disclosure
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities, and performance against targets.	The Board's goal is to be as ambitious as it can in setting decarbonisation targets, while balancing the economic realities of operating late-life assets. As such, in 2021 the Board approved a targeted 10% reduction in EnQuest's absolute Scope 1 and 2 emissions from its existing portfolio over three years, from a year-end 2020 baseline. As at 31 December 2023, Group emissions had been reduced by c.23% against the 2020 baseline. In both 2022 and 2023, further emission reduction targets over a three-year period were set as part of the Group's Performance Share Plan measures (see page 110 of the Directors' Remuneration Report). Discrete targets for emission reductions compared to 2021 associated with diesel use and flaring were also set, for which performance was assessed as being between target and stretch (see the Directors' Remuneration Report in the Group's 2022 ARA). As at 31 December 2023, UK emissions had been reduced by c.41% against the 2018 baseline, significantly ahead of the North Sea Transition Deal targets of achieving a 10% reduction by 2025 and close to the 50% reduction targeted by 2030. During 2023, the Group committed to reach net zero in terms of Scope 1 and Scope 2 emissions by 2040. In 2023, the Group made excellent progress in each of its new energy and decarbonisation opportunities. In carbon capture and storage, the Group was awarded carbon storage licences which are intended for use in delivering the potential to store up to 10mtpa of CO_2 from stranded emitters in depleted North Sea reservoirs. Further, EnQuest's electrification ambitions, as well as plans to produce green hydrogen and its derivatives could harness renewable energy to help decarbonise offshore developments and a number of other industries, respectively. The Group secured £1.74 million of funding from the UK government's Net Zero Hydrogen Fund to initiate study work for a 50MW green hydrogen project at SVT, with ambitions to produce around one million tonnes of green hydrogen annually. These opportunities remain at an early stage and require further regulatory and fiscal development before appropriate financial targets can be considered.

Stakeholder engagement

SECTION 172 STATEMENT

The Board has acted in a way that it considers to be most likely to promote the success of the Company for the benefit of its members as a whole and, in so doing, has regard for the potential impact of the Group's activities on its various stakeholders. In the majority of cases, information and feedback are provided throughout the year to the Directors by the Group's Executive Directors, senior and functional management and external advisers through a variety of Board reports, presentations and ad hoc correspondence. These reports cover the Group's financial, operational and environmental performance, while EnQuest's advisers provide the Board with relevant insight from their interactions with their respective stakeholders.

When appropriate, the Directors seek further understanding of the concerns of relevant stakeholders, which could include direct engagement by the relevant Director and/or requesting additional information to ensure they have a full appreciation of a given matter prior to making any decisions. As such, the Directors are able to assess the impact of business decisions on stakeholders and fulfil their duty to promote the long-term success of the Group.

The Directors consider principal decisions (outlined on page 78) on the basis of materiality of the incremental impact they are anticipated to have on the Company's stakeholders and/or the Company itself. Throughout the year, the Board and management team considered various M&A opportunities. For several of these, it was decided that their pursuit would not be in the interests of the Group's stakeholders, reflecting EnQuest's in-depth review processes (including those by the Technical and Reserves Committee) and focus on capital discipline.

Stakeholder groups	Direct Board level engagement in 2023	Other engagement activities in 2023
A Our people Our employee and contractor workforce is critical to the delivery of SAFE Results and EnQuest's success. As such, we are committed to ensuring EnQuest remains a great place to work. We have a strong set of Values that underpin our way of working and provide a rewarding work environment, with opportunities for growth and learning while contributing to the delivery of our strategy.	Three Global Employee Forum meetings per year with designated Non-Executive Directors were organised; video messages; subject matter expert virtual and physical attendance at scheduled Board and Board Committee meetings; physical and virtual safety leadership engagement visits; three interactive virtual Town Hall Meetings.	See the accompanying principal decisions on page 78 and pages 43 to 44 of the ESG section which detail the various people-related initiatives implemented during the year, including the employee surveys and those related to our people's safety and wellbeing.
B Investors Our investors support management in the execution of EnQuest's business strategy, including the provision of capital for management to develop the business in order to deliver returns in a responsible manner.	Virtual and physical meetings (including the Annual General Meeting, post-results roadshows and multiple investor conferences and ad hoc meetings), calls and direct correspondence with a wide range of equity and debt investors in relation to the Group's refinancing plans and delivery against its strategic objectives.	See the accompanying principal decisions on page 78 and the Strategic report on pages 02 to 78, which explains the Group's performance and investment decisions during the year. Page 85 of the Corporate governance statement outlines in more detail how the Group engages with its investors. Financing is identified as one of the Group's Principal risks and uncertainties on page 54.
C Partners We collaborate with our existing joint venture partners, securing their support to deliver our asset plans. We value their contribution to the effective operational and financial management of our assets as we deliver on our business strategy. In pursuit of the Group's new energy and decarbonisation ambitions, we also engage with potential strategic and financial partners.	Virtual and physical meetings and calls.	The Group has regular engagement with its joint venture partners on day-to-day asset management and the execution of the longer-term asset strategy. This occurs through a combination of formal interactions, governed by joint operating agreements, and via informal engagement. See pages 18 to 23 of the Strategic report for further details on operational and financial activities and decisions undertaken across our assets. Joint venture partners are recognised as one of the Group's Principal risks and uncertainties on page 62.
D Host governments and regulators We work closely with the host governments and regulators in the jurisdictions in which we operate. The Group complies with the necessary regulatory requirements, including those related to environmental matters such as reducing emissions, to ensure it maintains a positive reputation and licence to operate, enabling the effective delivery of the Group's strategy.	Virtual and physical meetings and calls with the North Sea Transition Authority ('NSTA') in the UK and Malaysian Petroleum Management ('MPM') in Malaysia. A number of meetings have been held with the Shetland Islands Council ('SIC') in relation to the Group's Infrastructure and New Energy business, while several meetings and other correspondence have been undertaken with UK Treasury officials on the UK's Energy Profits Levy ('EPL').	See the Strategic report on pages 02 to 78 and the Group's Principal risks and uncertainties on pages 46 to 64, which outline EnQuest's strong relationships with governments and regulators. Pages 36, 38 to 41 and 46 of the ESG section and pages 120 to 124 of the Directors' report outline further details on the Group's regulatory compliance activities.
E Suppliers EnQuest relies on its suppliers to provide specialist equipment and services, including skilled personnel, to assist in the delivery of SAFE Results.	None	The Group has continued its active and positive engagement with its suppliers through various supplier forums, performance reviews, ad hoc virtual meetings and industry events. The Group continues to monitor and report its supplier payment performance. Please also see the Group's Principal risks and uncertainties on pages 46 to 64, a number of which are impacted by the Group's supplier relationships.
F Communities Making a positive contribution, and appropriately managing our environmental impact in the communities in which we live and work around the world, remains a key part of our activities. Our communities provide a potential source of employees, contractors and support services, and are important in supporting EnQuest's social licence to operate and maintaining a positive reputation.	None	See pages 42 to 43 of the ESG section which outline the Group's community engagement activities and environmental considerations, with the importance of maintaining a positive reputation outlined in the Group's Principal risks and uncertainties on page 63.
G Customers Our customers help facilitate the provision of hydrocarbon-related products to meet a variety of consumer demands and, as such, require a reliable supply of hydrocarbons to meet their needs. We have also begun engaging with potential customers in relation to our carbon capture and storage and electrification opportunities as part of our Infrastructure and New Energy business.	None	We have maintained strong relationships with existing customers, including fuel oil blenders to whom the Group supplies Kraken oil as an unrefined constituent of IMO 2020 compliant low-sulphur bunker fuel.

Stakeholder engagement continued

Stakeholder groups:
A People B Investors C Partners D Host government and regulators E Suppliers F Communities G Customers

Principal decision and impacted stakeholders	Stakeholder considerations and impact on the long-term sustainable success of the Company
Launch of Veri Energy and Net Zero Commitment Impacted stakeholders: A B C D E F G	Following the establishment of the Infrastructure and New Energy business in 2021 and having further progressed three world scale new energy and decarbonisation opportunities at the Sullom Voe Terminal, EnQuest's Board decided to launch Veri Energy ('Veri') – a wholly owned subsidiary of the Group, with Salman Malik appointed as its Chief Executive Officer. This was considered to be the logical next step in the strategic evolution of EnQuest's infrastructure and new energy ambitions – Veri moving forward with a focused management structure and the potential to leverage financial and strategic partnerships. Having materially reduced EnQuest's emissions over several years, ahead of the UK's North Sea Transition Deal targets, the award of carbon capture and storage licences expanded and further defined EnQuest's role in the energy transition. As the Group works to advance and deliver its transition plan, the Board has established a commitment for EnQuest to reach net zero for Scope 1 and Scope 2 emissions by 2040. The Board considers new energy and decarbonisation activities important in for the long-term success of EnQuest and potentially provides several stakeholder benefits. For more information on the progress made throughout 2023, see the 'Veri Energy' section on page 23.
Bressay and EnQuest Producer FPSO equity interest farm-down Impacted stakeholders: A B C D	As one of the largest undeveloped oil fields in the UK continental shelf, with an estimated stock-tank oil initially in place ('STOIIP') of 600 to 1,050 MMbbls, Bressay represents an opportunity for EnQuest to develop material indigenous UK reserves and support the UK's energy security. The EnQuest Producer Floating, Production, Storage and Offloading ('FPSO'), which has been in warm-stack storage since 2020, is seen as a credible option to be utilised as an early production system for the Bressay development. By farming-down a portion of this integrated project, EnQuest's Board recognised the opportunity to advance a project with the potential to both unlock material reserves and lower Kraken emissions (via a gas tie-back). Partial monetisation of EnQuest's position also manages the Group's exposure to any project or financial risks. The decision was therefore made to sell a 15% working interest in each of the Bressay field and the EnQuest Producer. For more information on this transaction, please see pages 26 and 28.
Delisting from the Nasdaq Stockholm stock exchange Impacted stakeholders: B D	EnQuest has maintained a Nasdaq Stockholm stock exchange listing since 2010, when it issued shares to Swedish resident shareholders as consideration for the acquisition of a former Lundin entity. Whilst the UK was a member of the European Union ('EU'), London was the Group's primary listing for EU purposes and Swedish listing requirements were minimal. Post the UK's exit from the EU, the UK however no longer qualifies as a primary EU listing – which has exposed EnQuest to material additional regulatory and compliance requirements. With no legal or physical presence in Sweden, EnQuest has been reliant on external advisers to manage its compliance obligations. Having considered the additional risk and cost that has resulted from this position – and in consultation with management and external advisers – EnQuest's Board decided to delist EnQuest shares from the Nasdaq Stockholm. Following the requisite announcements and communication with affected shareholders, the Group funded a process to cross-border transfer shares to UK equivalents before formally delisting its shares in Sweden on 19 December 2023.
Board skills mapping and succession Impacted stakeholders: A B D	Effective succession planning remains a key focus area to ensure the Company has a diverse and experienced Board that can support management in the execution of its strategy for the benefit of its stakeholders. In 2023, following Board direction, the Governance and Nomination Committee engaged Spencer Stuart to carry out a skills mapping exercise, review organisational design and recruit new candidates to join the Board. As set out in the Governance and Nomination Committee report, Spencer Stuart's review highlighted areas which could be strengthened by the introduction of new skills and experience to the Board. As a consequence, three Directors stood down following the 2023 AGM and a focused recruitment programme was undertaken – which resulted in the Governance and Nomination Committee recommending Michael Borrell and Karina Litvack be appointed to the Board as Independent Non-Executive Directors, with Karina assuming the role of Senior Independent Director ('SID'). Unfortunately, due to an unexpected conflict arising through a board position held in the EU, Karina stepped down from the Board in December. In addition to the Committee's recommendation that Farina Khan assume the role of Audit Committee Chair given her financial experience and previous Committee membership, they also recommended she become SID following Karina's resignation. With Veri Energy expected to be a key contributor in the Group's energy transition plans, it was also agreed that Salman Malik, previously Chief Financial Officer ('CFO') as well as Managing Director of the Group's Infrastructure and New Energy business, would become Chief Executive Officer of Veri Energy. Following a further extensive recruitment programme, Jonathan Copus was identified as the successor to Salman Malik as the Group's CFO. Jonathan joined EnQuest in December 2023 to allow for an effective and orderly transition. It is proposed to nominate Jonathan for election as a Director at the Company's AGM in 2024. For more information, see page 13 of this Strategic report and pages 82 to 91 of the governance section.

Chris Sawyer
Company Secretary

The Strategic report was approved by the Board and signed on its behalf by the Company Secretary on 27 March 2024.

Executive Committee

Jonathan Copus
Chief Financial Officer

Key strengths and experience
- Broad background in the energy and natural resource sectors built through technical, finance, operational and commercial roles in both large and small organisations
- Significant capital markets experience
- Strong technical knowledge in geology and geoscience

Jonathan joined EnQuest in December 2023 as CFO Designate, becoming EnQuest CFO on 1 February 2024. Jonathan has a strong technical background in geology and geoscience alongside ten years' capital markets experience. In his time in the City, Jonathan was the number one ranked energy analyst and co-authored a well-respected industry handbook, 'Oil and Gas for Beginners'. Jonathan spent four years as CFO of Salamander Energy PLC, a production and development business focused in South East Asia. While there, Jonathan more than doubled the post-tax margin against a flat oil price. For the last seven years, Jonathan was CEO of Getech Group PLC, where he repositioned and recapitalised the business as a data and analytics specialist, while also decarbonising more than one-third of revenues.

Steve Bowyer
General Manager, North Sea

Key strengths and experience
- Senior operational leadership positions held onshore and offshore during 28-year career
- 15 years in executive roles (MD, CEO and Chair)
- Involved in over $5 billion of E&P transactions
- Founded Decipher Energy, which was successfully sold within five years
- Steve is a director on the board of Offshore Energies UK

Steve joined EnQuest PLC in October 2023. Prior to joining the Group he was a technical adviser to global financial institutions and investors. Steve commenced his career in subsea engineering/installation before moving to Talisman as a reservoir engineer, offshore team leader and asset manager. Steve then set up Taqa's UK operation before moving to First Oil as MD, acquiring an interest in the Kraken field prior to the successful appraisal well.

Steve was the founding director of Decipher Energy, a full life cycle operating company, safely drilling and completing an 18,500 ft well, delivering Orlando first oil within two years of founding the company and overseeing its sale to Tailwind Energy in 2021.

Chris Sawyer
General Counsel and Company Secretary

Key strengths and experience
- International legal experience, having managed teams supporting multiple geographies in energy and natural resources in all phases of development and operations
- Wealth of experience in mergers and acquisitions

Chris joined EnQuest in January 2023 from bp, where he was assistant general counsel, oil regions and production and operations. He has an MA in Jurisprudence from Oxford University and obtained his legal professional qualifications at the College of Law in Chester. Chris has responsibility for the commercial and legal affairs of the Company and holds the offices of General Counsel, Company Secretary and Chief Risk Officer.

Ali Talpur
Business Development Director

Key strengths and experience
- MBA in Finance
- Extensive international experience

Ali joined EnQuest in July 2012 from Schlumberger where he held the role of Regional Procurement & Sourcing Manager for the North Sea.

He has over 22 years of procurement and shared services function experience for both E&P operators and oilfield service providers.

Ali has an MBA in Finance and has diverse experience of working in different industries in large well-established organisations as well as medium sized start-ups in the Middle East, South Asia, Europe and the Caspian region.

Ali has also held leadership positions at various industry groups, including Chair of Oil and Gas UK's Supply Chain Forum, member of the Oil and Gas Authority's Supply Chain & Exports Board and currently Chair of World Economic Forum's Resource Sharing Hub in the North Sea.

Jason Ewles
Technical Director

Key strengths and experience
- Over 30 years of international upstream experience in technical and leadership roles across the full value chain of oil & gas exploration, development, and production operations
- MSc in Petroleum Engineering from Imperial College, London

Jason joined EnQuest in November 2023 as Technical Director from Petrofac's Integrated Energy Services division where, over the previous decade, he held various technical leadership roles in the UK, Mexico and Malaysia. Prior to that, Jason spent seven years with Hess, initially managing all subsurface activity associated with Hess' UK and Russia portfolio, before transferring to the United States. Jason began his career with Chevron in the UKCS working on the Alba and Ninian fields before taking international roles to work a wide variety of subsurface developments.

Jason is a registered Chartered Engineer and a member of the Society for Petroleum Engineers 'SPE'.

Note:
The Chief Executive Officer and CEO Veri Energy are also members of the Executive Committee. You can see their profiles on page 80. Jonathan Copus will join the Board of Directors at the 2024 Annual General Meeting, subject to shareholder approval.

Board of Directors

Committees key

- A Audit
- G Governance and Nomination
- R Remuneration and Social Responsibility
- S Sustainability
- Denotes Committee Chair

G R

Gareth Penny
Non-Executive Chairman
Appointed 6 December 2022

Key strengths and experience
- **A wealth of board-level and extractive industry experience**

Gareth, having chaired a number of public and private boards, joined EnQuest in December 2022. He is currently the chairman of Ninety One Plc and Ltd and was previously chairman of Norilsk Nickel, Russia's largest diversified mining and metals company. Gareth also served on the board of Julius Baer Group for 12 years. He has extensive experience in extractive industries, having spent 22 years with De Beers and Anglo American, the last five of which he was group chief executive officer of De Beers.

Principal external appointments
Chairman of Ninety-One Plc and Ltd.

G

Amjad Bseisu
Chief Executive
Appointed 22 February 2010

Key strengths and experience
- **Extensive energy industry and leadership experience**

Amjad worked for the Atlantic Richfield Company ('ARCO') from 1984 to 1998, eventually becoming president of ARCO Petroleum Ventures. In 1998, he founded and was the chief executive of Petrofac Resources International Limited which merged into Petrofac PLC in 2003. In 2010, Amjad formed EnQuest PLC, having previously been a founding non-executive chairman of Serica Energy PLC and a founding partner of Stratic Energy Corporation. Amjad was chairman of Enviromena Power Systems Ltd., the largest solar power engineering company in the MENA region, until its sale in 2017 and was British Business Ambassador for Energy from 2013 to 2015.

Principal external appointments
Chair of the independent energy community for the World Economic Forum since 2016. Director of The Amjad and Suha Bseisu Foundation since 2011.

Salman Malik
CEO Veri Energy
Appointed 15 August 2022

Key strengths and experience
- **Significant experience across the energy value chain**

Salman joined EnQuest in 2013 and has since made considerable strides in leading the Group's transition towards sustainable energy solutions. As the CEO of Veri Energy, and formerly the CFO of EnQuest, Salman has been pivotal in shaping and delivering the Company's strategy, especially in areas of corporate finance, mergers and acquisitions, and establishment of an infrastructure and new energy business. His extensive experience in establishing and managing new businesses, garnered from previous roles in private equity and investment banking, has been instrumental in advancing EnQuest's position in the energy sector, focusing on sustainability and just energy transition. Salman currently sits on the EnQuest Board as an Executive Director.

Principal external appointments
None.

G S A

Michael Borrell
Non-Executive Director
Appointed 5 September 2023

Key strengths and experience
- **Significant global exploration and production experience**

Michael is an experienced operator of large-scale exploration and production assets, having worked for over 35 years with TotalEnergies, including managing the integration of the Maersk Oil business. His international career with TotalEnergies has spanned Europe, Asia, North and South America, culminating in his appointment as senior vice president North Sea and Russia, and as Denmark country chair in 2020. Michael was a non-executive director of Novatek OAO, which was listed on the London Stock Exchange and Moscow Stock Exchange, between 2015 and 2021.

Principal external appointments
None.

A R

Farina Khan
Senior Independent Director
Appointed 1 November 2020

Key strengths and experience
- **Strong energy industry and financial experience, as well as deep insights into Malaysia**

Farina is a Fellow of the Institute of Chartered Accountants Australia and New Zealand with 30 years' working experience primarily in the oil and gas industry. She started her career with Coopers & Lybrand, Australia, before returning to Malaysia to join PETRONAS in strategic planning and finance roles. She held various senior positions in PETRONAS including as CFO of an upstream subsidiary, PETRONAS Carigali Sdn. Bhd in 2006, and CFO at PETRONAS Exploration and Production in 2010. From 2013, Farina was the CFO of PETRONAS Chemical Group Berhad, the largest listed entity of PETRONAS. Farina left PETRONAS in 2015 to pursue non-executive opportunities.

Principal external appointments
Senior independent director and member of the board of PETRONAS Gas Berhad. Member of the boards of the following Malaysian listed companies: KLCC Property Holdings Berhad, AMMB Holdings Berhad and Icon Offshore Berhad. Farina currently sits also on the boards of Ambank Islamic Berhad and KLCC REIT Management Sdn. Bhd.

S

Rani Koya
Non-Executive Director
Appointed 1 January 2022

Key strengths and experience
- **Technical, project management and executive management roles in major energy companies, working on six continents**

Rani has 25 years' experience working within large multinational, independent and start-up energy companies. These include Shell International, Hess Corporation and Tullow Oil plc and have involved a variety of technical, project management and executive management roles across Europe, Asia, the Americas and Africa. Between 2017 and 2020 Rani was Chief Petroleum Engineer at Tullow. She has led multi-billion dollar projects across the globe from unconventional shales in the US to oil developments in East Africa.

Principal external appointments
CEO and director of OGL Geothermal and Trustee of Lloyds Register Foundation.

A S

Liv Monica Stubholt
Non-Executive Director
Appointed 15 February 2021

Key strengths and experience
- **Extensive experience of the energy industry, public policy and governance**

Liv Monica has over 20 years' experience as a corporate lawyer. She started her career as an attorney before becoming political adviser to the Centre Party Finance Parliamentary Group. From 1997, she spent two years as a legal adviser to an industry alliance for private ownership before becoming partner at her original law firm. In 2005, Liv Monica moved back into politics and was Norway's Deputy Minister of Foreign Affairs for two years, followed by two years as Deputy Minister of Petroleum and Energy. Liv Monica re-joined the private sector in 2009 and held four top executive industry positions within the Aker Group in Norway including as EVP in the listed EPC contractor Kværner, before moving back into law.

Principal external appointments
Partner at the Oslo-based law firm Selmer. Sits on a number of private company boards, industrial boards and academic committees, including Silex Gas Norway and Morrow Batteries. Member of the board of Vår Energi (listed on the Oslo Børs Main Market).

Chairman's letter

> **"EnQuest has a strong governance culture that continues to evolve with the changing energy industry."**
>
> **Gareth Penny**
> **Chairman**

Dear shareholder

On behalf of the Board of Directors (the 'Board') I am pleased to introduce EnQuest's Corporate Governance Report for 2023.

The Board's role is to set the purpose, tone and culture of the organisation. At the start of the year, the Board reviewed the results of its annual evaluation and concluded that we needed to focus on refining our strategy and aligning the competencies of the Board more closely with its delivery. Recognising the need to foster trust, develop succession planning and prioritise smart execution, we engaged in a thorough review of our strategy and the requisite Board member skills. This culminated in a collaborative effort, supported by Spencer Stuart, to reshape the composition of our Board.

This review entailed a detailed and candid discussion with each Director to align our mutual expectations for the future. Collectively, we recognised that the skills which served us well in the past would need to evolve and be augmented to match our strategy. As a result, our three longest serving Non-Executive Directors, Carl Hughes, Howard Paver, and John Winterman, stepped down from the Board at the 2023 Annual General Meeting ('AGM'). On behalf of the Board, I thank them for their considerable contribution to the running of the Group.

Subsequently, the Governance and Nomination Committee carried out a comprehensive search for independent Non-Executive Directors to join the Board, resulting in the appointment of Michael Borrell and Karina Litvack. Michael joined as an independent Non-Executive Director and Karina as the Senior Independent Director. Unfortunately, in December, Karina had to step down from the Board due to an unexpected conflict arising through the EU Unbundling Directive, which prohibits any director of a European power transmission company from also serving on the board of an upstream operator. As such, we started the recruitment process for an additional Non-Executive Director in January 2024. On 28 March 2024 we announced the intention to appoint Rosalind Kainyah to the Board at the Company's 2024 AGM. Recruitment details and the process undertaken by the Governance and Nomination Committee is set out in the Committee report on pages 86 to 89.

Separately, both Liv Monica Stubholt and Rani Koya have advised that they will be stepping down at the Company's 2024 AGM. Liv Monica has served on the Board for a full three-year term and has opted to focus on her Norwegian portfolio, and Rani has advised of competing work priorities. Both have been of huge support during the time that I have been Chair of the Company and I thank them.

The Board restructure also involved reviewing the roles of the Executive Directors and it was agreed that Salman Malik, Chief Financial Officer ('CFO') and Managing Director, Infrastructure and New Energy, would assume the role of Chief Executive Officer ('CEO') of Veri Energy ('Veri'), a wholly owned subsidiary of EnQuest. As a result, Salman now has the opportunity to wholly devote his time to developing our new energy and decarbonisation business. One of the outcomes of his appointment as CEO is that he will step down as a Director at the AGM.

We recruited Jonathan Copus as CFO Designate in December 2023, and after a formal transition process, he became CFO on 1 February 2024. He will be proposed for election to the Board at the AGM. Details regarding his appointment can be found on page 89.

I am convinced that the resulting Board is well placed to oversee the delivery of the Group's strategic goals and I look forward to working with the Directors over the coming years.

Following the departure of the UK from the European Union, EnQuest encountered additional material compliance requirements due to its listing in Sweden on Nasdaq Stockholm. Therefore, the Directors agreed to delist from the Swedish exchange and this was announced to the market in September 2023. The delisting took effect on 19 December 2023.

Lastly, in addition to the changes to the Board, and the work undertaken to implement the strategy, the Group agreed a new term loan facility resulting in an increase of up to $150 million in available funds. Whilst some of the proceeds were used for general corporate purposes, the funding provided an additional source of liquidity for the October settlement of the 7% GBP retail bond. For more detail, see page 29 of the Financial Review.

My first year at EnQuest has been productive and fulfilling and I am pleased to be entering into my second year with a strong and supportive Board. I am confident that my fellow Directors, senior management and the wider EnQuest team will deliver our strategy and create a strong future for the Group.

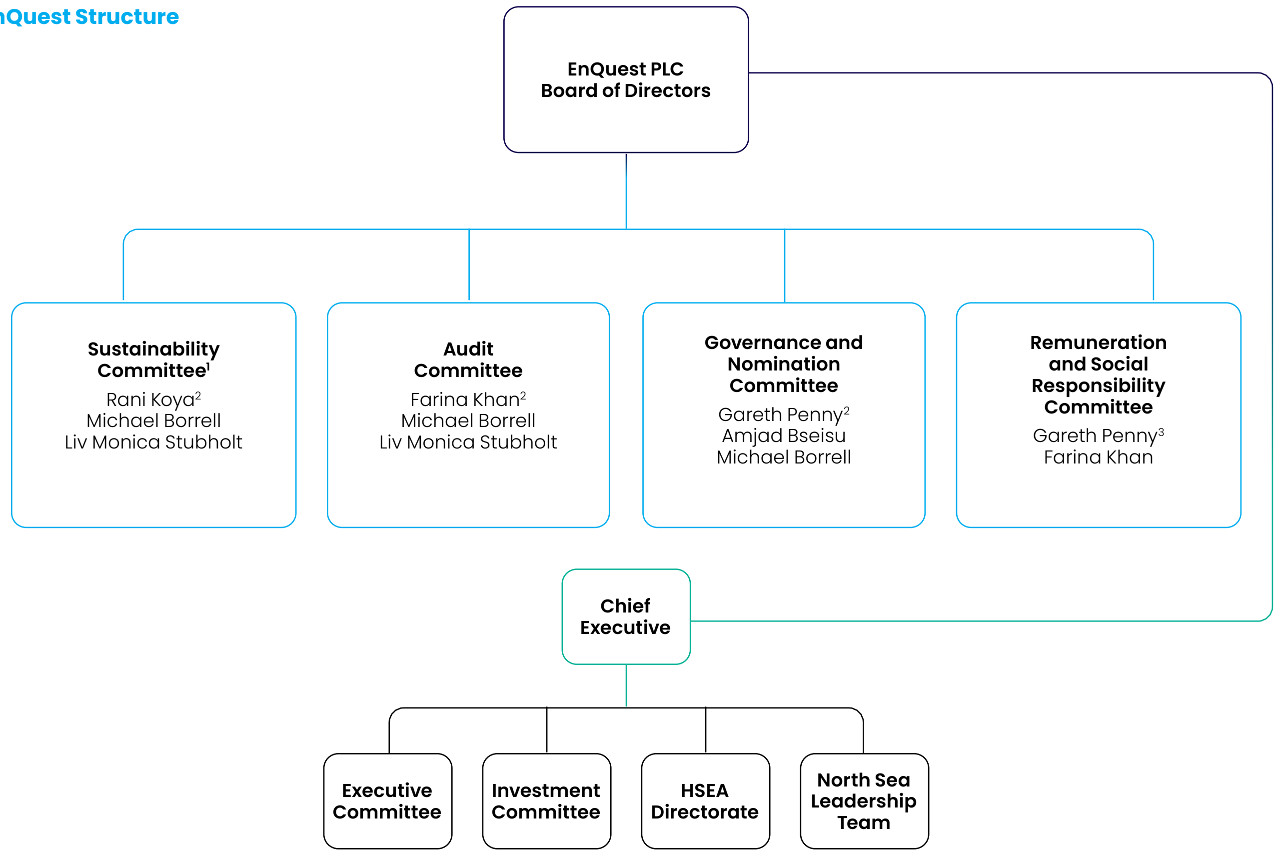
Gareth Penny
Chairman
27 March 2024

Key corporate governance activities during the year

Activity	Purpose	Result
Succession planning and Board composition	Creating a well-balanced Board, continuous refreshing of talent, and development of internal talent	• Appointment and later resignation of Karina Litvack as Non-Executive Director and Senior Independent Director. Chair of the Remuneration and Social Responsibility Committee • Appointment of Michael Borrell as Non-Executive Director. Member of the Audit, Sustainability and Governance and Nomination Committees • Appointment of Farina Khan as Senior Independent Director and Chair of the Audit Committee • Proposed appointment of Rosalind Kainyah as Non-Executive Director • Appointment of Jonathan Copus as Chief Financial Officer and proposed for election as an Executive Director at the AGM
Committee structure	Ensuring the appropriate support is provided to the Board	• Restructured Committees to combine Technical and Reserves and Safety, Sustainability and Risk Committees into the Sustainability Committee
Strategy review	Defining the Group's role in the energy transition	• Holistic review of strategy and drivers for success including establishment of Veri Energy
Refinancing	Strengthening the balance sheet	• Approval of £150 million term loan agreement • All debt maturity now aligned in 2027
Business development	Ensure funding of opportunities to support the strategy	• Approval of investments in Magnus for well development; Golden Eagle infill wells; Bressay and EnQuest Producer FPSO equity interest farm-down; SVT new stabilisation facility; and other M&A opportunities
Governance	To align the culture with strategy and enable effective delivery	• Code of Conduct and associated policies refresh. Review of Committee terms of reference. Delisting from Nasdaq Stockholm • Remuneration Policy review

Further details of the Board's activities and how they support compliance with the Code are shown in the table on page 86.

EnQuest Structure



1 During the year, the Safety, Sustainability and Risk Committee merged with the Technical and Reserves Committee and became the Sustainability Committee
2 Committee Chair
3 Interim Committee Chair. It is the intention that Rosalind Kainyah will chair the Remuneration and Social Responsibility Committee on her appointment

Corporate governance statement

Statement of compliance

The Board believes that the manner in which it conducts its business is important and it is committed to delivering the highest standards of corporate governance for the benefit of all of its stakeholders. The Directors understand and respect their duties to stakeholders under Section 172 of the Companies Act 2006 and considerations related to stakeholders are reflected throughout this Annual Report and Accounts ('2023 ARA'). The Section 172 Statement can be found on page 76. The Company applies the principles and complies with the provisions of the Financial Reporting Council's UK Corporate Governance Code 2018 (the 'Code') which was effective for accounting periods beginning on or after 1 January 2019, except in respect of Provisions 12 and 32 of the Code, details of which may be found on page 89. The Code can be found on the Financial Reporting Council's website at www.frc.org.uk. Detailed below is EnQuest's application of, and compliance with, the Code. To avoid duplication, cross-references to appropriate sections within the 2023 ARA are provided. EnQuest notes that the new Corporate Governance Code is due to take effect on 1 January 2025 and intends to report against the revised provisions in the 2025 Annual Report and Accounts.

The manner in which the Company has applied the principles of the Code can be found in the following sections:

Board leadership and company purpose	• Corporate governance statement (page 84) • Strategic report (page 02)
Division of responsibilities	• Corporate governance statement (page 86)
Composition, succession and evaluation	• Governance and Nomination Committee report (page 88)
Audit, risk and internal control	• Strategic report (page 46) • Audit Committee report (page 92) • Sustainability Committee report (page 118)
Remuneration	• Directors' Remuneration Report (page 99)

Board leadership and company purpose

The Board takes seriously its roles in promoting the long-term success of the Company, generating value for shareholders, having regard to the interests of other stakeholders and contributing to wider society. How the Company manages these areas can be found in the Strategic report, in particular within the 'Who we are and what we do' section on the inside front cover and page 01.

The Board is responsible for:
- The Group's overall purpose and strategy;
- Health, safety and environmental performance;
- Review of business plans and trading performance;
- Approval of major capital investment projects;
- Acquisition and divestment opportunities;
- Review of significant financial and operational issues;
- Review and approval of the Group's financial statements;
- Oversight of control and risk management systems;
- Succession planning and appointments; and
- Oversight of employee culture.

Culture

The Board ensures that the culture of the Group is aligned with its purpose, Values and strategy. EnQuest's Values embody the ethos of the Group, and the Board carefully monitors and promotes a positive, inclusive and SAFE culture. The Board believes that engaged and committed employees are integral to the delivery of the Group's business plan and strategy and, to assist this, the Chairman of EnQuest took on the role of designated Director for employee engagement during the year. In 2023 he met with the Global Employee Forum (the 'Forum') and attended a Global Town Hall meeting. More information can be found on page 44. In addition, Board members met for breakfast with London office staff and matters such as risk and strategy were discussed.

EnQuest's Code of Conduct underpins the governance and culture of the Group. All personnel are required to be familiar with the Code of Conduct, which sets out the behaviours that the organisation expects of those who work at and with the Group. The Code of Conduct was recently reviewed and updated to ensure it supports ethics and compliance best practice. The Group's Values complement the behaviours contained within the Code of Conduct and are a key part of the Group's identity. They guide the workforce as they pursue EnQuest's strategy and delivery of SAFE Results.

Workforce concerns

Through the Forum, regular briefings (which include an opportunity for the workforce to ask questions to management); the promotion of its Code of Conduct and Values; and various communication media, the Group seeks to set positive, appropriate standards of conduct for its people within an open, dynamic and inclusive culture. The Group encourages all employees to escalate any concerns and, as part of its whistleblowing procedure, provides an external 'speak-up' reporting line which is available to all employees, allowing for anonymous reporting through an independent third party. Where concerns are raised, these are investigated and reported to the General Counsel and Chair of the Audit Committee, with follow-up action taken as soon as practicable thereafter.

Stakeholder engagement

EnQuest continued to have an active and constructive dialogue with its shareholders throughout the year to understand their views on governance and performance against strategy.

The Company's engagement activities were conducted through a planned programme of investor relations activities, including meetings with:
- Credit and equity investors and research analysts with regard to the Group's performance against guidance and overall debt management strategy;
- A selection of the Group's larger shareholders directly with Gareth Penny upon his appointment as Board Chair; and
- Retail investors at the Company's AGM.

The Group also delivered presentations alongside its half-year and full-year results, including separate sessions designed to give retail investors an opportunity to engage on the Group's results, copies of which are available on the Group's website, under 'Investors' at www.enquest.com, as well as ad hoc presentations at investor conferences. The Group's results meetings are followed by investor roadshows with existing and potential new investors. These meetings, which take place throughout the year, other than during closed periods, are organised directly by the Company, via brokers and in response to direct investor requests.

EnQuest's Investor Relations team and Company Secretarial department respond to queries from shareholders, debt holders, analysts and other stakeholders, all of whom can register on the website to receive email alerts of relevant Group news. EnQuest's registrars Link Group also has a team available to answer shareholder queries in relation to technical and administrative aspects of their holdings. The Board is routinely kept informed of investor feedback, broker and analyst views and industry news in a paper submitted at each Board meeting by the Group's Investor Relations team and as required on an ad hoc basis.

The Board is also kept informed of relevant developments relating to other stakeholder groups such as suppliers, regulators, partners and governments, as required by the Executive Directors and/or the appropriate functional management and considers potential impacts on these groups of principal decisions made during the course of the year (see page 78 for more details).

Board agenda and key activities throughout 2023

During 2023 Board meetings have been held both virtually and in person, taking advantage of technology to ensure that decision making can be carried out efficiently and in a cost-effective manner. However, being cognisant of the importance of personal connections and the need to build relationships, three face-to-face meetings were held during the year. These meetings were aligned with Committee meetings to maximise the benefit of travel. Along with the Board meetings, three board dinners took place, where directors were able to explore issues and exchange ideas informally.

Directors' attendance at Board meetings in 2023

	Meetings attended
Scheduled meetings 2023	
Executive Directors	
Amjad Bseisu	6/6
Salman Malik	6/6
Non-Executive Directors[1]	
Gareth Penny	6/6
Michael Borrell[2]	2/2
Farina Khan	6/6
Rani Koya	6/6
Liv Monica Stubholt	6/6

1 Karina Litvack served a Director from 13 September 2023 to 15 December 2023. Carl Hughes, Howard Paver and John Winterman stepped down as Directors on 5 June 2023

2 Michael Borrell has been in attendance for all meetings held since his appointment on 5 September 2023

Corporate governance statement continued

The table below sets out matters that the Board discuss at each meeting and the key activities that have taken place throughout this period.

Key activities for the Board throughout 2023			
Strategy	Operations	Governance	Stakeholders
• Key projects, their status and progress made • Strategy update • Key transactions • Financial reports and statements • Liquidity and financing	• HSEA • Production • Operational issues and highlights • HR matters • Key legal updates • Emission reductions	• Succession planning • Assurance and risk management • Key governance developments	• Investor relations and capital market updates • Employee engagement • Government and regulator engagement

Conflicts of interest and compliance

The Group has procedures in place which identify and, where appropriate, manage conflicts or potential conflicts of interest with the Group's interests. In accordance with the provisions relating to Directors' interests in the Companies Act 2006, all Directors are required to submit details to the Company Secretary of any situations which may give rise to a conflict or potential conflict. The Board is satisfied that formal procedures are in place to ensure that authorisation for potential and actual conflicts of interest are dealt with efficiently. Directors are required to obtain Board approval before accepting any further external appointments and demands on a Director's time are taken into account before approval is given.

The Group is committed to behaving fairly and ethically in all of its endeavours and has policies which cover anti-bribery, anti-corruption, data protection and tax evasion. The anti-bribery and corruption programme is reviewed annually by the Board and a compulsory online anti-corruption training course is required to be completed by all staff. Additional information can be found on page 63 and in the Code of Conduct which is available on the Group's website. The General Counsel is also leading a project to enhance access within the Group to materials and training on a broad range of ethics and compliance topics including fraud, money laundering, competition law and sanctions.

Board education

All Directors receive an induction pack and meet with management on joining the Company. They are also offered Director training and memberships of organisations which deliver knowledge and training to Non-Executive Directors. Education is provided from time to time by the Company Secretary or external advisers. For example, a session was held with external counsel to discuss the Board's specific responsibilities in relation to the refinancing and anti-corruption and bribery, and also on responsibilities under the Market Abuse Regulations and corporate governance matters pertinent to the discharge of Non-Executive Directors' duties. In addition, a recent session was held on compliance trends and developments which covered matters such as the Economic Crime and Corporate Transparency Act 2023.

2023 Annual Report and Accounts ('ARA')

The Directors are responsible for preparing the 2023 ARA and consider that, taken as a whole, the 2023 ARA is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Company and Group's position and performance, business model and strategy.

Annual General Meeting ('AGM')

The Company's AGM is ordinarily attended by the Directors and executive and senior management and is open to all EnQuest shareholders to attend. The 2024 AGM will be held on 30 May 2024 at Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW, United Kingdom.

Division of responsibilities

There is a clear division of responsibilities between the Board and the executive leadership of EnQuest. The roles of the Chairman and Chief Executive are not exercised by the same individual.

Chairman

The Chairman is responsible for the leadership of the Board, setting the Board agenda and ensuring the overall effective working of the Board. The Chairman holds regular one-to-one and group meetings with the Non-Executive Directors without the Executive Directors present.

Chief Executive

The Chief Executive is accountable and reports to the Board. His role is to develop strategy in consultation with the Board, to execute that strategy following presentation to, and consideration and approval by, the Board and to oversee the operational management of the business.

Senior Independent Director

The Senior Independent Director ('SID') is available to shareholders if they have concerns where contact through the normal channels of the Chairman or the Executive Directors has failed to resolve an issue, or where such contact is inappropriate. The SID acts as a sounding board for the Chairman and also conducts the Chairman's evaluation on an annual basis. Following the resignation of Howard Paver on 5 June 2023, the Company was without a SID until the appointment of Karina Litvack on 13 September 2023. Karina resigned on 18 December 2023 and it was agreed that Farina Khan be appointed to this position.

Non-Executive Directors

The Non-Executive Directors combine broad business and commercial experience from oil and gas and other industry sectors. They bring independence, external skills and objective judgement, and constructively challenge the actions of executive and senior management. This is critical for providing assurance that the Executive Directors are exercising good judgement in delivery of strategy, risk management and decision making. They receive a monthly report on Group performance and updates on major projects, irrespective of a meeting taking place, which allows them to monitor performance regularly. In addition, they hold to account the performance of management and individual Directors against agreed objectives and assess and monitor the culture of the Company. All Directors of EnQuest have been determined to have sufficient time to meet their responsibilities and this is monitored on a regular basis. At the date of this report there are seven Directors, consisting of two Executive Directors and five independent Non-Executive Directors (including the Chairman). It is recommended that Jonathan Copus is elected as an Executive Director and that Rosalind Kainyah is elected as a Non-Executive Director at the 2024 AGM.

Company Secretary

The Company Secretary is responsible for advising the Board, through the Chairman, on all Board procedures and governance matters. In addition, each Director has access to the advice and services of the Company Secretary. The Company Secretary assists with the ongoing training and development of the Board and is instrumental in facilitating the induction of new Directors. The appointment and removal of the Company Secretary is a Board matter. The Company Secretary supports the Chairman in the provision of accurate and timely information. Board agendas are drawn up by the Company Secretary in conjunction with the Chairman and with agreement from the Chief Executive. All Board papers are published via an online Board portal system which offers a fast, secure and reliable method of distribution.

Independence

The Chairman was independent on appointment. The Board considers that all the Non-Executive Directors continue to remain independent and free from any relationship that could affect, or appear to affect, their independent judgement. Information on the skills and experience of the Non-Executive Directors can be found in the Board biographies on pages 80 and 81.

Committees

The Board has four Committees which meet on a regular basis and report back to the Directors at each Board meeting. This allows for the Board to be informed of important Committee business and, if necessary, to discuss issues should they need to be escalated to Board level. There are formal terms of reference for each Committee which set out the scope of authority of the Committee, satisfy the requirements of the Code and are reviewed and approved on an ongoing basis by the Board. Copies of the terms of reference are available on the Group's website, www.enquest.com. Membership and attendance of each Committee can be found on the dedicated Committee pages, details of which are found below:

Audit Committee

The Audit Committee responsibilities include reviewing the effectiveness of the Group's internal controls and risk management systems, including the adequacy of the Company's arrangements for whistleblowing and procedures for detecting fraud. The Committee is also in charge of approving statements to be included in the Annual Report concerning risk management as well as monitoring and reviewing the effectiveness of the Group's internal audit capability in the context of the Group's overall risk management system. The work of the Audit Committee is on pages 92 to 98.

Remuneration and Social Responsibility Committee

The Remuneration and Social Responsibility Committee is responsible for assessing the Group's performance and for determining appropriate performance-related compensation in alignment to the Group's Remuneration Policy and the Code. It reviews and takes note of institutional shareholder guidelines. During 2023 as part of the triennial review timetable, the Committee reviewed the existing shareholder-approved Remuneration Policy ahead of issuing the Remuneration Policy for shareholder vote in 2024. The work of the Remuneration and Social Responsibility Committee is set out on pages 99 to 117.

The Chair of the Remuneration and Social Responsibility Committee resigned as a Director in December 2023 and Gareth Penny, Chairman of EnQuest, stepped into the role as interim Chair of the Committee. It is intended that Rosalind Kainyah is appointed as Chair of the Committee on appointment to the Board. More information can be found on page 89.

Sustainability Committee

As noted above, during the year the Technical and Risk Committee and Safety, Sustainability and Risk Committee were combined to form the Sustainability Committee. This Committee continues to progress its comprehensive Risk Management Framework and has conducted a robust assessment of the principal risks facing the Group, which are outlined on pages 50 to 64 of the Strategic report. The work of the Committee, which includes monitoring HSEA issues and oversight of decarbonisation matters, is on pages 118 to 119. This Committee is also responsible for providing the Board with additional technical insight when making Board decisions.

Governance and Nomination Committee

The Governance and Nomination Committee leads the process for appointments and regularly reviews the structure, size and composition of the Board. It also considers succession planning for the Executive Committee and has expanded its remit to cover all aspects of the Code. Following the resignation of Howard Paver, the Committee comprised two Board members, Gareth Penny, who was regarded as independent on appointment, and Amjad Bseisu, the CEO. Following the appointment of Michael Borrell on 5 September 2023, the Committee composition fully complies with the Code. The work of the Governance and Nomination Committee, including information regarding the Board's diversity and the Company's associated policy, recruitment and the Board annual evaluation process, is on pages 89 to 91.

Board discussions and outcomes

Code requirements	Key Board discussions	Outcome
• Ensuring an effective and entrepreneurial Board to promote long-term sustainable success	• Macroeconomic environment • Growth opportunities, including new energy and decarbonisation developments at the Sullom Voe Terminal and potential acquisitions • Board evaluation results • Training and knowledge refresh	• The Board discusses growth opportunities at every Board meeting, including at the opportunity costs of pursuing ventures • Training on corporate governance and compliance; anti-corruption and bribery; and on Directors' responsibilities
• Establishing and aligning purpose, Values and strategy with culture	• Culture, Values and ESG are included in Company Performance Indicators	• Board members are embedded in the Employee Forum, which drives staff culture
• Ensuring necessary resourcing is in place and establishing a framework of controls to enable risk to be assessed	• Rigorous assessment of the Group's liquidity requirements • Reviewed Risk Management Framework • Reviewed principal risks and uncertainties and emerging risks	• Successful refinancing of the Group's debt facilities • Regular in-depth reviews of risks and their mitigants through its Committees • Evolution of the Risk Management Framework
• Effective engagement with shareholders and stakeholders	• UK and Malaysia regulatory environment • Refinancing the Group's debt facilities	• Discussion and alignment on compliance with regulatory requirements • Debt investor engagement
• Ensuring workforce policies and practices are consistent with the Company's Values	• Ethics and compliance	• Company Code of Conduct and associated policies updated
• Appointments are subject to formal rigorous and transparent procedure with effective succession plan for Board and senior management	• Use of external consultants for Board appointments • Appointment of CFO	• Detailed discussions on succession planning and review of roles and accountabilities of Executive Committee

Governance and Nomination Committee

The composition of the Governance and Nomination Committee is set out below, along with appointment and termination dates and attendance at the scheduled meetings:

Appointment dates and attendance at the nine scheduled meetings are set out below:

Member	Date appointed Committee member	Attendance at meetings during the year[3]
Gareth Penny	6 December 2022	9/9
Amjad Bseisu	22 February 2010	9/9
Howard Paver[1]	15 October 2019	3/3
Michael Borrell[2]	5 September 2023	2/2

Notes:
1 Howard Paver stepped down from the Board on 5 June 2023
2 Michael Borrell joined the Board and the Governance and Nomination Committee on 5 September 2023
3 The Committee did not meet between Howard Paver's departure and Michael Borrell's appointment. Therefore the Committee was majority independent when convened

Main responsibilities

The core work of the Governance and Nomination Committee is to ensure that the Board and its Committees support the strategy of the Group. Following the refresh of the Board this year, it currently comprises seven members; five Non-Executive Directors and two Executive Directors. The proposed Board changes at the 2024 AGM will result in the same number of Directors. The Board is characterised by a collaborative approach which works to create strong leadership with individual Directors who collectively bring a diverse mix of skills and experience to the Company.

The main responsibilities of the Committee are to:
- Review the size, structure and composition (including the skills, experience, independence, knowledge and diversity) of the Board and its Committees;
- Ensure the orderly succession of Executive Directors, Non-Executive Directors and executive and senior management;
- Identify, evaluate and recommend candidates for appointment or reappointment as Directors or Company Secretary, taking into account diversity, including gender, social and ethnic backgrounds, cognitive and personal strengths and the balance of knowledge, skills and experience required to serve on the Board;
- Review the outside directorships/commitments of Non-Executive Directors; and
- Exercise oversight of the compliance of the Company with the Corporate Governance Code (the 'Code').

The Committee's full terms of reference can be found on the Group's website, www.enquest.com, under Corporate Governance.

Committee activities during the year

The Governance and Nomination Committee met nine times in 2023. Its key activities included:

Board appointments

In 2023, following Board direction, the Committee engaged Spencer Stuart, an external search consultancy, to carry out a skills mapping exercise; review organisational design; and recruit new candidates to join the Board. Other than these activities, Spencer Stuart has no other connection with the Company and individual Directors.

This review of structure, composition and skills demonstrated that the Company had a depth of skills around the table, but that there were some areas that were over-represented and certain aspects which could benefit by further additions. It was agreed that interaction with regulators and understanding of new energy were areas to prioritise. As part of the process, each Director had the opportunity to discuss the findings directly with Spencer Stuart. The report from Spencer Stuart, and its recommendations, were endorsed and subsequently presented to the Board.

With three Non-Executive Directors standing down following the 2023 AGM, Spencer Stuart was briefed to find candidates to serve on the Board and Committees who met the additional skills that had been identified, whilst bearing in mind the need to ensure diversity of thought around the table. As the Committee had reduced membership following the AGM, each of the candidates met all the Board members, who provided their thoughts to the Committee Chair. After deliberation, the Committee recommended Michael Borrell and Karina Litvack to the Board, and both were subsequently appointed as Non-Executive Directors. Following Karina's resignation in December 2023, the Committee agreed that another Non-Executive Director was needed and reviewed candidates from the recent searches and additional candidates recommended by Spencer Stuart. On 28 March 2024, it was announced that Rosalind Kainyah would be proposed for election at the AGM. The Board is seeking to appoint a further Director and will provide an update when appropriate.

As Farina Khan was appointed in 2020, her contract was due for renewal in 2023. The Committee reviewed her tenure and concluded that she was an effective member of the Board and that her audit and accounting experience in the energy sector complemented the skills of the Board as a whole. As such it was agreed to recommend to the Board that, subject to continued re-election at the 2024 AGM, her tenure be extended for a further three years.

In addition to Non-Executive Directors, Jonathan Copus was appointed as CFO Designate in December 2023 and became CFO on 1 February 2024. It is intended that, subject to shareholder approval, Jonathan be appointed as an Executive Director at the 2024 AGM.

Committee appointments

The Committee reviewed the composition of the Board Committees at various stages during the year. It agreed to recommend to the Board the appointment of Gareth Penny to the Remuneration and Social Responsibility Committee. Furthermore, following the departure of Carl Hughes, the Committee recommended the appointment of Farina Khan as Chair of the Audit Committee. Farina's financial expertise and current membership of the Committee made this appointment appropriate. The Committee considered which Committees would best be served by the newly appointed Non-Executive Directors and recommended to the Board that Michael Borrell join the Governance and Nomination Committee and the Sustainability Committee. In December 2023 it was also decided that Michael join as a member of the Audit Committee. Given Karina Litvack's experience on the remuneration committee of a listed company, the Committee recommended that she join and Chair the Remuneration and Social Responsibility Committee. However, following her departure it was agreed that an additional Board member be sought for the position and a search commenced.

As explained on page 87, on Karina Litvack's resignation as a Director in December 2023, Gareth Penny, Chairman of EnQuest, stepped into the role as interim Chair of the Committee. This is not recommended under Code Provision 32 which stipulates that the chair of a company may not chair a remuneration committee. The Governance and Nomination Committee considered the matter very carefully and considered whether a current member of the Board was a suitable candidate for the role. On reviewing internal capabilities and also availability of time to devote to the position, it was decided that the Chairman of EnQuest should chair the Remuneration and Social Responsibility Committee on an interim basis until an external candidate, with the relevant experience, was found. It is intended that Rosalind Kainyah be appointed as Chair of the Committee on election as a Director at the Company's AGM.

Senior Independent Director

Provision 12 of the Code recommends that a Senior Independent Director ('SID') be appointed, however, for a period of three months following the Company's AGM, the Company did not have a SID owing to the changes in Board composition. As part of its brief, Spencer Stuart was asked by the Committee to identify board candidates who were suitably experienced to take on this role. Karina Litvack had the appropriate experience and the Committee recommended to the Board that she be appointed as SID on appointment as a Director of the Company. As Karina subsequently resigned from the Board, it was decided to review the current Board members as to suitability for the role. After due consideration, it was agreed that Farina Khan be appointed Senior Independent Director.

Structured Board succession planning

EnQuest prides itself in delivering successful leaders and has prioritised succession planning to ensure its leadership remains diverse and well equipped to navigate the challenges of the evolving business landscape. Succession planning is an important part of the Committee and the Board's deliberations and is aimed at both senior management and the wider organisation, such as identifying and developing high potential individuals. This ensures that the Board has oversight of the Group's talent pipeline and future leaders and can progress and support development within the organisation.

In considering a Board composition which best serves the strategy, Values and Company Purpose into the future, the Board has adopted diversity targets. Its membership represents a spread of backgrounds and experiences which cover the oil and gas industry and other industries, including those supporting the energy transition. See pages 80 to 81 for biographies.

Given the need to facilitate energy transition ambitions, the Group established Veri Energy ('Veri') in December 2023. Veri is a wholly owned subsidiary of the Group, focused on progressing decarbonisation and new energy projects, including carbon capture and storage, green hydrogen, and electrification by leveraging Sullom Voe Terminal to create a best-in-class new energy hub in Shetland. The Board recommended Salman Malik, to take on the role of CEO of Veri, enabling him to provide focused leadership to deliver a meaningful contribution to a just energy transition. To best serve Veri, Salman will step down as an Executive Director of EnQuest PLC at the 2024 AGM.

The Board and the Governance and Nomination Committee remain satisfied that the individuals currently fulfilling key executive and senior management positions in the Group have the requisite depth and breadth of skills, knowledge and experience to ensure that orderly succession to the Board and Executive Committee can take place. The Board and the Committees are also satisfied that the establishment of Veri Energy is within the Group's strategy and are excited to see the benefits of a focused new energy business. The Group continues to work to identify capability strengths and development gaps and to develop the process for encouraging and supporting high-potential employees.

Board performance review

The 2023 Board performance review was conducted internally via online questionnaire, supported by BoardClic, an online evaluation portal. The next external performance review will take place in 2024. The results from the review, which were discussed in detail at the February 2024 Board meeting, reflect the strategic changes that occurred during the year and provide a clear guide to the priorities in 2024. The Board agreed that the key themes for development were: value creation and strategy; diversity within the organisation; employee engagement, talent and culture and ongoing monitoring of Board composition. It was concluded that the Directors worked well together and contributed effectively to the Company.

Farina Khan, SID of EnQuest led the Chairman's review. The Chairman, appointed in December 2022, is considered to be an effective and collaborative member of the Board who has positively impacted the Company since his appointment.

The key areas from the 2022 review were kept under review and progressed during the year. These included setting the new strategy; ensuring that the Board had access to good quality information; improvement of the governance processes and structures, which resulted in the Sustainability Committee being established; and developing and clarifying the succession planning process.

Re-election to the Board

Following a review of the effectiveness of the Board, the Governance and Nomination Committee confirms that it is satisfied with both the performance and the time commitment of each Director throughout the year. The Committee also remains confident that each of them is in a position to discharge their duties to the Company in the coming year and that together they continue to bring the necessary skills required to the Board. Board approval is required should a Director wish to accept a further external role. Detailed biographies for each Director, including their skills and external appointments, can be found on pages 80 to 81.

Priorities for the coming year

The main focus of the Committee in 2024 will be continued oversight of Board and Committee composition.

Boardroom diversity

The Group's Diversity and Inclusion Policy can be found on the Group's website at www.enquest.com/environmental-social-and-governance/social/people. The Policy aligns with the Company's Values, which incorporate both respect and openness. The Group seeks diversity in its employee base, recognising that those from different backgrounds, experience and abilities can bring fresh ideas, perspectives and innovation to improve the business and working practices. In February 2024, the Board considered the diversity of the organisation, targets and the means to improve diversity. This will be discussed more fully in the 2024 Annual Report.

The Board Diversity Policy is aligned with the expectations of Listing Rule 9.8.6R (9). As at 31 December 2023 (being the reference date chosen for the purposes of Listing Rule 9.8.6R (9) (c)) at least 40% of the individuals on the Board are women (42.86%); the role of CEO, CFO, Chair or SID is a woman (the SID is Farina Khan); and at least one individual is from a minority ethnic background (four members). Recent appointments have been made with diversity of age, gender, ethnicity, sexual orientation, disability or educational, professional and socio-economic backgrounds in mind. There is currently no specification as to diversity of the Committees due to the size of the Board, however, this will be reviewed going forward.

Although not a FTSE 350, The Board and Committee is cognisant of the FTSE Women Leaders Review targets and remains ahead of the Parker Review target with respect to minority ethnic representation.

The tables below set out information, as required by Listing Rule 9.8.6R(10), at 31 December 2023. Data was gathered by asking each Director and member of the Executive Committee to self-report via email their response to the information required by the Listing Rule.

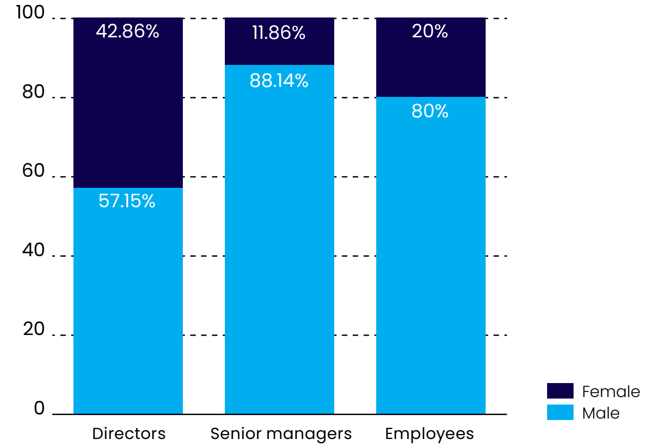
	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO[1], SID and Chair)	Number in executive management	Percentage of executive management
Men	4	57.15%	2	5	100%
Women	3	42.86%	1	0	0%
Not specified/prefer not to say	–	–	–	–	–

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	3	42.86%	1	4	80%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	3	42.86%	1	1	20%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	1	14.28%	1	–	–
Not specified/prefer not to say	–	–	–	–	–

Note:
1 CFO is a member of the Executive Committee and will be appointed to the Board, subject to shareholder approval, at the 2024 AGM

It is intended that Rosalind Kainyah and Jonathan Copus are appointed as Directors at the 2024 AGM and that Liv Monica Stubholt, Rani Koya and Salman Malik stand down. The Committee is cognisant that this will change the gender and diversity composition of the Board and is seeking to appoint another Director.

The chart below illustrates gender breakdown of EnQuest's Directors and workforce as at 31 December 2023[1].



Note:
1 Breakdown of percentages: Directors (3 female, 4 male); senior managers (7 female, 52 male); employees (123 female, 492 male). Senior management and total employee figures include EnQuest's employees in Dubai, Malaysia and the UK

Gareth Penny
Chairman of the Governance and Nomination Committee
27 March 2024

Audit Committee report

"The Committee has continued to provide robust review and challenge of the Group's financial reporting, system of internal controls and the wider risk management framework."

Farina Khan
Chair of the Audit Committee

Dear fellow shareholder

I am pleased to present the Audit Committee report for the year ended 31 December 2023, covering our activities over the course of the year.

The Audit Committee oversees and monitors the Group's financial reporting (including reporting on the financial aspects related to climate change), external and internal audit, the effectiveness of the risk management framework and system of internal controls.

More information on the role and responsibilities of the Committee and its terms of reference, which are reviewed annually, can be found at www.enquest.com/investors/corporate-governance.

In addition to the standing agenda items for the year, the Committee also considered a variety of other focus areas including: assessing and supporting the Group's ongoing evolution and strengthening of its capital structure and business development activities; reviewing the impact of the introduction of the Energy Security Investment Mechanism ('ESIM') to the UK Energy Profits Levy ('EPL'); reviewing corporate governance updates, including the Financial Reporting Council's ('FRC') thematic reviews and the introduction of additional climate-related reporting in the UK; the evolving cyber security landscape and the Group's response; internal audit resourcing; and simplification of the Group's legal entity structure. While the UK corporate reform proposals through Companies Act 2006 amendments were withdrawn in October 2023, the Committee and management are conscious of changes to the UK Corporate Governance Code (the 'Code') and remain committed to driving improvements in the Group's control environment and external reporting.

There was continued challenge on and review of the finance function's resourcing requirements and progress against improvements identified in conjunction with the Group's external auditor. It was pleasing to see that significant progress during the year was made in this regard by management, including enhanced processes and controls and additional resource being added to the finance team with the recruitment of new team members.

A recruitment exercise was undertaken during 2023 to recruit a new Internal Audit Manager with the internal audit function having been outsourced to PricewaterhouseCoopers LLP ('PwC') to complete the 2023 audit plan. The appointment in October 2023 of a Certified Internal Auditor with extensive experience across a range of industries, including energy, and risk management, will strengthen the Group's internal audit function.

As previously announced at EnQuest's Annual General Meeting ('AGM') in June 2023, Carl Hughes and Howard Paver retired from the Board and Committee. Liv Monica Stubholt has also notified the Board of her intention to step down from the Board and the Committee following the 2024 AGM. I would like to thank Carl, Liv Monica and Howard for their contributions during their tenure and specifically to Carl in his role as Chair of the Committee since the start of 2017. While a recruitment process is underway to find a replacement for Liv Monica, Mike Borrell, who brings a wealth of experience from his extensive career in the oil and gas industry, was appointed a member of the Audit Committee in December 2023. I look forward to working with Mike in the coming years as we continue to support and challenge management in its drive for continuous improvement in the Group's financial reporting and control environment. I would also like to thank James Leigh, the retiring lead audit partner, for his contribution since Deloitte LLP were appointed external auditor in 2020, and welcome David Paterson as EnQuest's lead audit partner for 2024 and beyond.

As discussed within the Corporate governance statement, the Committee is pleased to confirm that the actions of the Committee were, and continue to be, in compliance with the Code and that it is satisfied with the formal and transparent policies and procedures in place. Furthermore, the Committee ensured that key judgements and estimates made in the financial statements, such as the recoverable value of the Group's assets, were carefully assessed.

Farina Khan
Chair of the Audit Committee
27 March 2024

Committee composition

As required by the Code published in July 2018, the Committee exclusively comprises Non-Executive Directors, biographies of whom are set out on pages 80 and 81. The Board is satisfied that the Chair of the Committee, Farina Khan, previously Chief Financial Officer at PETRONAS Chemical Group Berhad, and a Fellow of the Institute of Chartered Accountants in Australia and New Zealand, meets the requirement for recent and relevant financial experience.

Membership of the Committee, appointment dates and attendance at the five meetings (including one unscheduled) held during 2023 is provided in the table below:

Member	Date appointed Committee member	Attendance at meetings during the year
Carl Hughes[1]	1 January 2017	3/3
Howard Paver[1]	1 May 2019	3/3
Farina Khan[1]	1 November 2020	5/5
Liv Monica Stubholt	15 February 2021	4/5
Michael Borrell	6 December 2023	n/a

Note:
1 Following EnQuest's Annual General Meeting on 5 June 2023 both Carl Hughes and Howard Paver stepped down from the Board of Directors and their positions on the Audit Committee. On that date, Farina Khan assumed the Chair of the Audit Committee
2 Liv Monica Stubholt was unable to attend the additional March 2023 meeting due to other commitments

Meetings are also normally attended by the General Counsel and Company Secretary, the Chief Financial Officer, the external auditor, the internal auditors and other key finance team members as required. The Chief Executive and the Chairman of the Board also attend the meetings when invited to do so by the Committee. PwC, in its role as internal auditor during 2023, attended the meetings as appropriate. The Chair of the Committee regularly meets with the external lead audit partner and internal audit (which for 2023 comprised both the internal audit manager and the PwC partner) to discuss matters relevant to the Company.

The Committee continues to monitor its own effectiveness and that of the functions it supports on a regular basis. Through the review of the terms of reference of the Committee, regular meetings with the internal and external auditors and key management personnel, the Committee has concluded that its core duties in relation to financial reporting, internal controls and risk management systems, whistleblowing and fraud, internal audit, external audit and reporting responsibilities are being performed well.

Fair, balanced and understandable

A key requirement of the Group's Annual Report and Accounts is for the report to be fair, balanced and understandable. In addition, the Annual Report should contain sufficient information to enable the position, performance, strategy and business model of the Company to be clearly understood and details of measurable key performance indicators and explanations of how the Company has engaged with all of its stakeholders (as set out in the Group's Section 172 Statement on page 76). The Committee and the Board are satisfied that the Annual Report and Accounts meet these requirements, with appropriate weight being given to both positive and negative developments in the year.

With regard to these requirements, the Committee has considered the robust process which operates when compiling the Annual Report and Accounts, including:

- Clear guidance and instructions are provided to all contributors;
- Revisions to regulatory requirements, including the Code, are communicated and monitored;
- A thorough process of review, evaluation and verification of the content of the Annual Report and Accounts is undertaken to ensure accuracy and consistency;
- External advisers, including the external auditors, provide advice to management and the Audit Committee on best practice with regard to the creation of the Annual Report and Accounts; and
- A meeting of the Committee was held in March 2024 to review and approve the draft 2023 Annual Report and Accounts in advance of the final sign-off by the Board.

Audit Committee meetings

There were five Committee meetings in 2023. A summary of the main items discussed in each meeting is set out in the table below:

Agenda item	March 2023	Additional March 2023	May 2023	August 2023	December 2023
Audit Committee self-evaluation assessment of its effectiveness including review of actions identified in previous effectiveness review			✓		
Audit Committee terms of reference			✓		
Significant matters arising from completed internal audits	✓		✓	✓	✓
Internal audit progress against 2023 plan, including findings since last meeting	✓		✓	✓	✓
Independence and objectivity of internal audit					✓
Joint venture audit plan for 2023, including summary findings since last meeting	✓		✓	✓	✓
Cyber security update	✓		✓	✓	✓
Capital structure and business development	✓		✓	✓	
Annual external audit plan					✓
External (Deloitte) audit fees subject to the audit plan	✓		✓		✓
Level of non-audit service fees for Deloitte including review of policy				✓	
Quality, independence and objectivity of Deloitte	✓		✓	✓	
Effectiveness of Deloitte as external auditors			✓		
Evaluate the viability assessment	✓	✓			
Appropriateness of going concern assumption	✓	✓		✓	
Review of half-year or full-year regulatory press release and results statements	✓	✓		✓	
Briefings on regulatory developments including corporate governance, fraud risk assessment, FRC thematic reviews and climate-related matters					✓
Key risks, judgements and uncertainties, including the consideration of climate change, impacting the half-year or year-end financial statements (reports from both management and external auditor)	✓			✓	✓
Presentation on the reserves audit and evaluation of the Competent Person's independence and objectivity	✓				
Tax strategy, policy and compliance					✓
Impact of UK Energy Profits Levy and other tax topics	✓	✓		✓	✓
Management's response to significant audit findings, recommendations and notable control weaknesses, including potential improvements and agreed actions	✓		✓	✓	✓
Review of process and controls relating to the development of the Group's internal control framework	✓		✓	✓	✓
IT resourcing and controls progress against IT audit findings			✓	✓	✓

Financial reporting and significant financial statement reporting issues

The primary role of the Committee in relation to financial reporting is to assess, amongst other things:

- The appropriateness of the accounting policies selected and disclosures made, including whether they comply with International Financial Reporting Standards; and
- Those judgements, estimates and key assumptions that could have a significant impact on the Group's financial performance and position, or on the remuneration of executive and senior management.

These items are considered by the Committee, together with reports from both management and its external auditor at each relevant Committee meeting. The significant accounting and reporting areas considered, including those related to EnQuest's 2023 Consolidated Financial Statements, are set out below:

Significant financial statement reporting issue	Consideration
Going concern and viability The Group's assessments of the going concern assumption and viability are based on detailed cash flow, covenant and the reserves-based lending borrowing base forecasts. These are, in turn, underpinned by forecasts and assumptions in respect of: • Production and costs for the next three years, based on the Group's approved 2023 business plan and forecasts; and • The oil price assumption, based on a forward curve of \$80/bbl (2024), \$75/bbl (2025) and \$75/bbl (2026).	The Committee reviewed and considered the Directors' half-year and full-year statements with respect to the going concern basis of accounting. The Board also regularly reviews the liquidity projections of the Group. The detailed going concern and longer-term viability analysis, including sensitivity analysis and stress testing, along with explanations and justifications for the key assumptions made, were presented at the March 2024 meeting. This analysis was considered and challenged by the Committee, including, but not limited to, the appropriateness of the period covered, planning scenarios, including production volume expectations, macroeconomic assumptions, including those associated with oil prices and inflation, stress tests and the achievability of any mitigations that may be required in a Downside Case scenario to ensure that the Group would have sufficient headroom to continue as a going concern. The Committee supported the going concern basis of accounting. The disclosures in the Annual Report concerning the viability statement and going concern assumption (see pages 29 to 30) were reviewed and approved at the March 2024 meeting for recommendation to the Board.
Potential misstatement of oil and gas reserves The Group has total proved and probable reserves as at 31 December 2023 of c.175 MMboe. The estimation of these reserves is essential to: • The valuation of the Company; • The assessment of going concern and viability; • Impairment testing; • Decommissioning liability provisions; and • The calculation of depreciation.	During the March 2024 meeting, management presented the Group's 2P reserves, together with the report from Gaffney, Cline & Associates, the Group's reserves auditor. The Committee considered the scope and adequacy of the work performed by Gaffney, Cline & Associates and their independence and objectivity and concurred that the estimation of reserves had been consistently applied to the financial statements.
Impairment of tangible and intangible assets The recoverability of asset carrying values is a significant area of judgement. These impairment tests are underpinned by assumptions regarding: • 2P reserves; • Oil price assumptions (based on an internal view of future prices of \$80/bbl (2024), \$80/bbl (2025), \$75/bbl (2026) and \$75/bbl real thereafter); • Life of field production profiles and opex, capex and abandonment expenditure; and • A post-tax market discount rate derived using the weighted average cost of capital methodology. For more details, see also note 2 critical accounting judgements and key sources of estimation uncertainty: recoverability of asset carrying values, and notes 10, 11 and 12. Impairment testing has been performed resulting in a pre-tax non-cash impairment charge of \$117.4 million.	At the March 2024 meeting, management presented the key assumptions made in respect of impairment testing and the result thereof to the Committee. The Committee considered and challenged these assumptions, including the oil price and discount rate used, and potential impacts of climate change and energy transition, in line with the challenges performed as part of the going concern and viability review. Sensitivity analysis and disclosures estimating the effect of oil price reductions were reviewed. Consideration was also given to Deloitte's view of the work performed by management.

Significant financial statement reporting issue	Consideration
Contingent consideration Any contingent consideration included in the consideration payable for a business combination or asset acquisition is recorded at fair value at the date of acquisition. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate discount rates. The Group calculates contingent consideration payable in respect of its Magnus acquisition. See note 22 for further details.	At the March 2024 meeting, the key judgements and estimates and result of the fair value calculations, explanation of movements in the year and the associated disclosures, including sensitivity analysis, were presented to and challenged by the Committee, noting the key assumptions, other than the discount rate which is specific to the liability, were aligned with those used in the Group's impairment testing and tax estimates. Consideration was also given to Deloitte's view of the work performed by management. The Committee concluded that the assumptions and inputs for contingent consideration payable were reasonable and consistent with other relevant judgements and estimates made and the related liabilities recorded were appropriate.
Climate change in financial reporting While the Group's view of evolving climate risks continues to develop, appropriate disclosure is an area of focus for the Committee. Climate change and the transition to a lower carbon economy may have significant impacts on the currently reported amounts of the Group's assets and liabilities and on similar assets and liabilities that may be recognised in the future. See note 2 Use of judgements, estimates and assumptions: Climate change and energy transition.	The Committee considered financial statement disclosures, including TCFD and CFD reporting, and how the Group's climate change scenarios are reflected in the Group's key judgements and estimates used in the preparation of the Group's 2023 financial statements. The Committee also reviewed the results of testing the Group's resilience under the International Energy Agency's Announced Pledges scenario and Net Zero Emissions by 2050 scenario. The Committee, recognising the evolving nature of climate change risks and responses, concluded that climate change has been appropriately considered by management in key judgements and estimates and concurred with the disclosures proposed by management.
Appropriateness of the decommissioning provision The Group's decommissioning provision of $755.8 million at 31 December 2023 is based upon a discounted estimate of the future costs and timing of decommissioning of the Group's oil and gas assets. Judgement exists in respect of the estimation of the costs involved, the discount and inflation rates assumed, and the timing of decommissioning activities. See note 2 Critical accounting judgements and key sources of estimation uncertainty: Provisions.	The Committee reviewed the report by management summarising the key inputs and their impact on the provision. The Committee and the Group's external auditor focused on cost assumptions, as well as the inflation and discount rates used, alongside sensitivity analysis and disclosure estimating the effect of a change in discount rates given the uncertain macroeconomic environment. Regard was also given to the observations made by Deloitte as to the appropriateness of the estimates made.
Taxation At 31 December 2023, the Group carried deferred tax balances comprising $540.1 million of tax assets (primarily related to previous years' tax losses) and $77.6 million of tax liabilities primarily related to deferred taxes associated with the UK Energy Profits Levy. The recoverability of the tax losses has been assessed by reference to future profit estimates derived from the Group's impairment testing. Ring-fence losses totalling $2,007.9 million ($695.9 million tax-effected) have been recognised. Given the complexity of tax legislation, risk exists in respect of some of the Group's tax positions.	The Committee received a report from the Group's Head of Tax, outlining all uncertain tax positions, and discussed management's assumptions of future profit estimates and evaluated the amount of deferred tax assets recognised. It was noted that the assumptions are consistent with those used in the impairment assessment (see above). The Committee also took into account the views of Deloitte as to the adequacy of the Group's tax balances. An evaluation of the transparency of the Group's tax exposures was undertaken, reviewing the adequacy and appropriateness of tax disclosures, including those related to the EPL, presented by management. Regard was also given to the observations made by Deloitte as to the appropriateness of the disclosures made.

Risk management
The Code requires that the Board monitors the Company's risk management and, at least annually, carries out and reports on the results of a review of their effectiveness. The Board has oversight of risk management within EnQuest for the Company's emerging and principal risks. Pages 46 to 48 provide more detail on how the Board, and its Sustainability Committee, has discharged its responsibility in this regard.

Internal control
Responsibility in respect of financial internal control is delegated by the Board to the Committee. The effectiveness of the Group's internal control framework is reviewed continually throughout the year. Key features include:
- Clear delegations of authority to the Board and its sub-Committees, and to each level of management;
- Setting of HSEA, operational and financial targets and budgets which are subsequently monitored by management and the Board;
- A comprehensive risk management process with clear definition of risk tolerance and appetite. This includes a review by the Sustainability Committee of the effectiveness of management controls and actions which address and mitigate the most significant risks;
- An annual risk-based internal audit programme developed in conjunction with management. Findings are communicated to the Audit Committee and follow-up reviews are conducted where necessary; and
- Further objective feedback provided by the external auditors and other external specialists.

Obtaining assurance on the internal control environment
The Committee was conscious of the need to ensure an ongoing programme of assurance and maintain internal audit's independence while recruitment for a new Internal Audit Manager was undertaken. As such, PwC undertook the full internal audit programme with the new Internal Audit Manager appointed in October 2023. The Committee received reports from internal audit at each scheduled Committee meeting in 2023 and meets privately with the internal auditor from time to time. In order to ensure independence and objectivity, the primary reporting line of all assurance providers, including the Group's internal audit function, is to the Chair of the Committee, day-to-day management oversight being provided by the General Counsel. The purpose, scope and authority of internal audit are defined within its charter which is approved annually by the Committee. The internal audit function maintains an internal quality assurance and improvement programme covering all aspects of internal audit's activities and evaluates the conformance of these activities with the Chartered Institute of Internal Auditors' Standards.

The Group's system of internal control, which is embedded in all key operations, provides reasonable rather than absolute assurance that the Group's business objectives will be achieved within the risk tolerance levels defined by the Board. Regular management reporting, which provides a balanced assessment of key risks and controls, is an important component of assurance. In October 2023, the UK Government withdrew secondary legislation on changes to the UK Corporate Governance Code relating to a material fraud statement, capital maintenance disclosures, the Audit and Assurance Policy and the resilience statement. A subsequent policy announcement by the FRC in November 2023 stated that several of its previously proposed amendments would no longer be pursued. However, the requirement for boards to make a specific declaration within the ARA as to the effectiveness of a company's risk management and internal control systems will remain, and come into effect from 1 January 2026. As such, the Committee will continue to monitor the development of an Audit and Assurance Policy and consider FRC guidance on the required control declaration to focus attention on the level of assurance relating to all material controls, with specific attention being paid to cyber security given its impact on the wider control environment. Management has also continued its assessment of the potential for fraud risk across the business, ensuring mitigating controls are in place and operating as expected as well as identifying and implementing specific actions to ensure the Group maintains a strong control environment following the 'failure to prevent fraud' offence receiving Royal Assent in October 2023.

In respect of the work performed by internal audit, an internal audit plan is approved by the Committee each year. When setting the plan, recommendations from management and internal audit are considered, and take into account the particular risks impacting the Company, which are reviewed by the Board and the Sustainability Committee. During 2023, internal audit activities were undertaken for various areas, including reviews of:
- Cyber security;
- 'Purchase to pay' (Maximo) upgrade project (readiness for go-live);
- HSSE and asset integrity – maintenance processes;
- Malaysia contract compliance; and
- Internal control processes of the Financial Accounting and Reporting function

Detailed results from internal audit were presented to management and a summary of the findings was presented to the Committee, together with copies of all internal audit reports. Where potential control enhancements were identified as being required, the Committee agreed appropriate actions with management and assessed management's response to the findings. Throughout the year, the Committee is kept appraised of management's progress against the agreed actions, with the majority of actions closed in accordance with the agreed schedule.

External audit
One of the Committee's key responsibilities is to monitor the performance, objectivity and independence of the external auditor. Each year, the Committee ensures that the scope of the auditor's work is sufficient and that the auditor is remunerated fairly. When agreeing the annual audit fees, the Committee noted the significant change in the regulatory environment in recent years, including significant changes in auditing standards and the level of scrutiny on auditors from the FRC resulting in an increase in the required investment in audit quality. In addition, the impact of inflation in a competitive job market has continued to have a material impact on fees across the audit profession. The annual process for reviewing the performance of the external audit process involves an interview or questionnaire with key members of the Group who are involved in the audit process to obtain feedback on the quality, efficiency and effectiveness of the audit, alongside a report from the auditor to the Committee confirming their independence. Additionally, Committee members take into account their own view of the external auditor's performance and independence, including the level of professional scepticism displayed, when determining whether or not to recommend reappointment. The Committee also held several private meetings with the external auditor during the year.

The Committee considered the external audit plan, in particular to gain assurance that it was tailored to reflect changes in circumstances from the prior year. The significant audit risks addressed during the course of the 2023 audit were:

- Impairment of oil and gas assets and goodwill;
- Contingent consideration;
- Decommissioning provision;
- Deferred tax;
- Revenue recognition – crude oil cut-off; and
- Management override of controls.

Deloitte regularly updated the Committee on the status of their procedures during the year, including how they had challenged the Group's assumptions. The Committee and Deloitte discussed how risks to audit quality were addressed, key accounting and audit judgements, material communications between Deloitte and management and any issues arising from them.

Taking into account management's review and its own experiences with the external auditor, the Committee concluded that the audit team was providing the required quality in relation to the provision of audit services in its fourth year as auditor and has maintained its independence and objectivity. As required under UK auditing standards, Deloitte confirmed their independence to the Committee.

In 2023, the external lead audit partner notified the Committee of his plan to retire in 2024. As such, an experienced replacement was introduced to the Committee and management, and will assume the role of lead audit partner at the conclusion of the 2023 audit.

The Committee considers the reappointment of the external auditor each year, including consideration of the advisability and potential impact of conducting a tender process for the appointment of a different independent public accounting firm. The Committee is also responsible for making a recommendation to the Board for it to put to the Company's shareholders for approval at the AGM, to appoint, reappoint or remove the external auditor. At the AGM in June 2023, the shareholders approved a resolution to reappoint Deloitte as external auditor, with the same resolution to be proposed for the 2024 AGM. The Company has complied with the Code and FRC Guidance in respect of audit tendering and rotation, under which the Company will be required to tender for the audit no later than the 2030 financial year. The Committee regularly reviews auditor performance and may elect to carry out the tender earlier than the 2030 financial year if it determined it would be in the interests of the Company's shareholders to do so.

Use of external auditors for non-audit services

The Committee is responsible for EnQuest's policy on non-audit services and the approval of non-audit services. The Committee and Board believe that the external auditor's independence and objectivity can potentially be affected by the level of non-audit services to EnQuest. However, the Committee acknowledges that certain work of a non-audit nature is best undertaken by the external auditor given their working knowledge of the Group. To ensure objectivity and independence, and to reflect best practice in this area, the Company's policy on non-audit services reflects the UK Regulations. As part of the Committee's process in respect of the provision of non-audit services, the external auditor provides the Committee with information about its policies and processes for maintaining independence and monitoring compliance with current regulatory requirements.

The key features of the non-audit services policy, the full version of which is available on the Group's website (www.enquest.com; under Corporate Governance within the Investors section), are as follows:

- A pre-defined list of prohibited services has been established;
- A schedule of services where the Group may engage the external auditor has been established and agreed by the Committee;
- Any non-audit project work which could impair the objectivity or independence of the external auditor may not be awarded to the external auditor; and
- Fees for permissible non-audit services provided by the external auditor are to be capped at no more than 70% of the average Group audit fee and the UK audit fee for the preceding three years.

The Committee continues to review non-audit services and reviews the scope of work to ensure its close link to audit services. The Committee regularly reviews reports from management on the audit and non-audit services reported in accordance with the policy or for which specific prior approval from the Committee is being sought. In each case where the audit or non-audit service contract does not exceed the relevant threshold, the matter is approved by management by delegated authority from the Committee and is subsequently presented for approval by the Committee at the next meeting. Delegated authority by the Committee for the approval of non-audit services by the external auditor is as follows:

Authoriser	Value of services per non-audit project
Chief Financial Officer	Up to £50,000
Chairman of the Audit Committee	Up to £100,000
Audit Committee	Above £100,000

The scope of the non-audit services contracted with the external auditor in 2023 consisted mainly of the interim review, debt facility activities and G&A assurance.

Directors' Remuneration Report

"The Committee's focus remains on ensuring reward programmes incentivise employees to deliver EnQuest's strategy and performance goals."

Gareth Penny
Chairman and interim Chair of the Remuneration and Social Responsibility Committee

Dear fellow shareholder

On behalf of the Board and the Remuneration and Social Responsibility Committee, I am pleased to present EnQuest's Directors' Remuneration Report ('DRR') for the financial year ended 31 December 2023.

Overview

During the year the Committee has continued to ensure the appropriateness of the Group's overall reward package available for Executive Directors and to reflect on the effectiveness of the Directors Remuneration Policy (the 'Policy') against the UK Corporate Governance Code (the 'Code') and market best practice. These core principles of appropriate and effective reward were at the forefront when the Committee set the compensation of Jonathan Copus as the new Chief Financial Officer ('CFO') of the Group in 2023.

We carefully consider all components of Executive Directors' and Executive Committee members' reward to ensure that they remain competitive with the remuneration practices in companies of a similar size and scope. Ahead of the proposed recommendations for salary changes in 2024, the Committee robustly examined benchmarking data with the ongoing support of an independent remuneration adviser, in addition to considering both the increases made across the wider workforce and the personal performance contributions of each executive.

The Committee believes that the current remuneration structure remains clear, simple and closely aligned with the Group's strategy, risk appetite and culture, and that incentives are appropriately capped.

In line with the Company's DRR since 2019, the chosen calculation for the 2023 Chief Executive Officer ('CEO') pay ratio has been calculated in line with single figure methodology, also known as 'Option A', resulting in a CEO pay ratio of 11:1 in 2023.

Within the Strategic report, the Group has set out its intent to contribute positively towards the objective under the UK's current legislation to achieve net zero emissions by 2050. Emission reduction targets continue to form a key performance condition of three-year Performance Share Plan ('PSP') awards.

The DRR has three sections:

1. This annual summary statement;
2. Details of the Policy presented for approval at the 2024 AGM; and
3. The Annual Report on Remuneration of the Executive Directors and Non-Executive Directors for 2023, which will be subject to an advisory shareholder vote at the 2024 AGM.

Executive Director changes

Following the announcement in late 2023, Salman Malik has transitioned into the role of Chief Executive Officer of Veri Energy and Jonathan Copus was appointed as CFO Designate of EnQuest. Jonathan joined the Company on 7 December 2023 after a rigorous selection process and became CFO on 1 February 2024. His remuneration is set at a level I aligned to a group of external comparators that reflect the role, size of the Company and Jonathan's experience. Further information on Jonathan's remuneration can be found on pages 100, 106 and 115.

Committee changes

As announced at the AGM on 5 June 2023, Howard Paver stood down as a Non-Executive Director of the Board, Senior Independent Director and as Chair of the Committee. He was succeeded as Chair of the Committee by Karina Litvack, who joined EnQuest's Board of Directors as a Non-Executive Director and the Senior Independent Director on 15 September 2023.

As detailed on pages 105, 107 and 108 of this report, Ms Litvack unfortunately needed to step down from the Board on 18 December 2023. Gareth Penny shall act as the interim Chair of the Committee until a suitable replacement can be appointed.

Directors' Remuneration Policy

As part of our required triennial review of the Policy, the Committee has engaged independent advisers to review the existing Policy and help the Committee set an appropriate path for the future. After detailed reflection of the appropriateness of the current Policy, and in light of the ongoing work to establish a suitable management incentive plan to implement for Veri Energy, we propose that the existing Policy is brought back to shareholders for approval at the AGM in 2024 when the current Policy expires. In 2021, the Policy was approved by 95.4% of shareholders and we believe the Policy remains effective in driving our business strategy and is largely reflective of best practice.

We propose to operate the Policy in 2024 in exactly the same way as we have done for the past three years, while also committing to bring a further revised Policy to discuss with shareholders within the next 12 months. The revised Policy will include enhancements to acknowledge changes in the market and best practices since the last review as well as the proposed management incentive for our new subsidiary, Veri Energy.

Performance and remuneration outcomes for 2023

Group production in 2023 averaged 43.8 Kboed, in line with the mid-point of guidance. Significantly, the Company has also continued to de-lever, with debt reduced by $236 million in 2023 to $481 million by the end of the year, providing a strong foundation from which the business can pivot to focus on the future. During 2023, we have continued to demonstrate our commitment to reducing emissions on our producing assets with an impressive 22% reduction in flaring over the year. We have continued to make strong progress in our Growth agenda across Upstream and in the Infrastructure and New Energies sphere in 2023, with the delivery of a number of projects that position us well for future growth.

2023 annual bonus – payable in 2024

The Executive Directors' annual bonus awards are based on a combination of financial and operational results and the achievement of key accountability objectives. The bonus attainment for Amjad Bseisu and Salman Malik was based on achievement against the Company Performance Contract ('CPC').

In 2023, the target and maximum bonus potential for the Executive Directors remained unchanged at 75% and 125% of salary, respectively, with the final bonus award being equal to 83.4% of base salary (66.7% of the maximum award). The Committee believes that the awards are appropriate and representative of the performance of the Executive Directors and senior management when balanced against the shareholder and employee experience, and that further discretionary adjustment outside of the HSE&A performance deductor was not required. Full details of how these awards were determined are included on page 109 of this report.

Performance Share Plan ('PSP')

The PSP is the primary long-term incentive awarded to Executive Directors, senior management and other key talent in the Company. The three-year performance period for the PSP awarded in 2021 ended on 31 December 2023 and for which was based 80% on EnQuest's total shareholder return ('TSR') performance relative to a group of sector comparators and 20% on reduction of emissions over the performance period. Over this period, EnQuest's TSR ranked below the threshold performance level, whereas the emissions reduction exceeded the stretch target. As a result, 20.0% of the original award will vest for Executive Directors in April 2024. In line with the current Policy, vested awards will be subject to a mandatory two-year holding period commencing on 25 April 2024 and further details are included on page 110 of this report.

During the year, a PSP award calculated at 250% of salary for Amjad Bseisu and Salman Malik was granted on 10 July 2023, measuring 80% against relative TSR and 20% against the achievement of an emission reduction target.

Executive Director shareholding

Executive Directors are expected to build up and hold a shareholding of 200% of salary. Amjad Bseisu comfortably meets this requirement and, as relatively new Executive Directors, Salman Malik and Jonathan Copus, are expected to build up to this level within five years of appointment.

Executive Director remuneration in 2024

2024 base salaries

For 2024, the Committee has increased Amjad Bseisu's salary to be more consistent with market median by 17%, to £600,000; While we recognise that this is significantly above the average increase for the UK workforce, the increase is considered necessary to align the CEO's salary with the Policy and market median. The Committee explored a range of options when discussing the salary for the CEO, including phasing the increase over time, but on balance of historic increases for the CEO being below the workforce average (Amjad's salary has risen at an equivalent of 2.4% since 2010), bottom quartile market position of his salary and misalignment to Policy, the Committee felt this was the best outcome for the Company. Further information is included on pages 113 to 115. The salary of Salman Malik will not be increased in 2024 pending a further review of his remuneration package as CEO of Veri Energy. Additionally, Jonathan Copus' salary set on his appointment in December 2023 is considered well aligned to the market and Policy and shall not be increased further in 2024.

2024 annual performance bonus

For 2024, the annual bonus for the CEO will be based 100% on the 2024 CPC outcome and for the CFO will be based 50% on the 2024 CPC outcome, and 50% on additional objectives. Both have a target level of 75% of salary and a maximum of 125% of salary. Details of the performance measures and weightings are set out on page 116. For Salman Malik, the annual performance bonus will initially remain aligned to the existing Policy, pending a further review that will include shareholder consultation.

2024 PSP awards

In accordance with the Policy, PSP awards for Executive Directors are typically granted with a face value of 250% of salary. For 2024, in order to reflect the volatility of the Company's share price and ensure Executive Directors do not benefit from potential future 'windfall gains', the grant level will be scaled back c.26% to c.185% of salary (reflecting the fall in EnQuest's average share price between Q4 2022 and the same period in 2023). Vesting of these awards will continue to be measured 80% on the basis of TSR performance relative to a peer group (the constituents of which have been slightly revised for 2024), and 20% on emissions reduction over the performance period. Further details are set out on page 116.

Conclusion

We continue to appreciate the benefits of transparency and proactive interaction with major shareholders. We welcome your input and are always open and ready to listen and take on board suggestions that help EnQuest to continue to develop and improve.

The Committee and I wish to thank all our shareholders for their ongoing support over the years. I hope you will support and vote for this DRR and proposed Policy at the forthcoming AGM.

Gareth Penny
Chairman and Interim Chair of the Remuneration and Social Responsibility Committee
27 March 2024

Governance

The Directors' Remuneration Report has been prepared in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. It also describes the Group's compliance with the 2018 UK Corporate Governance Code (the 'Code') in relation to remuneration. The Committee has taken account of the new requirements for the disclosure of Directors' remuneration and guidelines issued by major shareholder bodies when setting the remuneration strategy for the Group.

2024 Directors' Remuneration Policy

The forthcoming 2024 AGM marks the third anniversary of the approval of the Directors' Remuneration Policy (the 'Policy') and as such, we are required to put a new Policy to a binding shareholder vote. The Policy is the framework on which Executive Directors and the broader senior management team are remunerated and the Committee has focused a significant proportion of its time in the year in reviewing the existing Policy. In conducting the review, the Committee was conscious of the launch of subsidiary Veri Energy and the potential impact this could have on the Group's approach to remuneration with Salman Malik remaining as an Executive Director of the Group. Save for minor wording amendments to enhance clarity and readability, and to remove references to pre-2020 legacy arrangements, there are no changes proposed to the existing Policy for 2024. This allows the Committee to establish during 2024 greater clarity on how to best structure remuneration relating to Executive Directors and the Committee will take this opportunity to put a new Policy to a shareholder vote ahead of the typical three-year anniversary.

Remuneration principles and objectives of the Policy

The previous Policy was approved by shareholders at the 2021 AGM with 95.35% voting in favour and operated from 2021 to 2023.

In reapplying the Policy from 2024, we believe EnQuest's remuneration principles remain clear and simple: to ensure that the Group operates with the appropriate culture, strengthening the link between reward and performance and emphasising the importance of its purpose and Values.

In summary, the Policy is operating as intended and well aligned to the principles of remuneration in the Corporate Governance Code with a core understanding that remuneration for Executive Directors should:

- Support alignment of executives with stakeholders;
- Be fair, reflective of best practice, and be market competitive;
- Comprise fixed pay set around the median and variable pay capable of delivering remuneration at upper quartile against a comparator group; and
- Reward performance with a balance of short-term and long-term elements, with the emphasis on longer-term reward.

The table below sets out how the principles of the Code relating to the design of remuneration policies and practices have been applied:

Clarity	Simplicity	Risk	Predictability	Proportionality	Alignment to culture
Ensure a strong link between pay and performance and the remuneration structure is designed to be appropriately logical and transparent. The Group engages in shareholder consultation when considering material changes to Policy or process. The Group believes its remuneration arrangements, and the principles underpinning them, are clear and well understood by its stakeholders.	Remuneration for Executive Directors is comprised of distinct elements: • Salary; • Pension and other benefits aligned with the wider UK workforce (in accordance with Provision 38 of the Code); • Annual bonus; and • Long-term incentive awards to reward sustainable long-term performance.	Remuneration arrangements ensure that the risks from excessive rewards are easily identified and mitigated. Salaries are reviewed annually and consider a variety of factors, including external benchmarking and salary increases across the wider workforce. Variable pay elements are linked directly to Group performance.	Target ranges and potential maximum payments under each element of remuneration are disclosed within the DRR. The Committee operates a high degree of discretion over variable pay elements and can adjust any pay outcomes that the Committee deems are inconsistent with the performance of the Group.	The Committee has ensured that appropriate safeguards are incorporated into the Policy. The annual bonus is directly aligned to Group objectives, and the Committee retains discretion to adjust outcomes that are considered disproportionate to the experience of other stakeholders.	The Group's Business performance metrics and remuneration structure are aligned to its culture and Values, with specific non-financial measures included in performance metrics. The Committee keeps all performance metrics under review and retains the flexibility to introduce further culture and Values measures into its annual bonus plan.

Remuneration Policy for Executive Directors

General approach

The remuneration of the Executive Directors comprises base salary, participation in an annual bonus plan (paid partly in cash and partly in deferred shares), a long-term incentive plan (referred to as the PSP), private medical insurance, life assurance, personal accident insurance, and a cash allowance in lieu of pension aligned to the wider workforce.

When setting remuneration for the Executive Directors, the Committee takes into account the performance and experience of the Director, as well as the performance of the Group, employment conditions for other employees in the Group, and the external marketplace. Comparative data for our sector is obtained from a variety of independent sources.

The following table details EnQuest's Remuneration Policy which will become binding from 30 May 2024, subject to approval at the 2024 AGM.

Component	Purpose and operation/ key features	Maximum potential opportunity	Applicable performance measures
Base salary	To enable the recruitment and retention of Executive Directors who possess the appropriate experience, knowledge, commercial acumen and capabilities required to deliver sustained long-term shareholder value. • Set at or below median when compared to a comparator group generally of the same size and industry as EnQuest and who have a similar level of enterprise value. • Salaries are typically reviewed by the Remuneration Committee in January each year.	Typically, the conditions and pay of all employees within the Company are factors considered by the Committee in its review. Increases in excess of the general workforce may be made where there is a significant change in duties, contribution to Company performance, personal performance, or external market conditions.	None.
Pension and other benefits	Provide market competitive employee benefits that are in line with the marketplace and enable EnQuest to attract and retain high-calibre employees, as well as providing tax-efficient provision for retirement income. • Pension delivered as cash in lieu, with remaining benefits provided by the Group. • Executive Directors may participate in the HMRC-approved Sharesave Scheme and benefit from share price growth. • Benefits reviewed periodically by the Remuneration Committee and adjusted to meet typical market conditions. • Additional benefits offered when required, in line with local practice. • Any reasonable business-related expenses (including tax thereon) which are determined to be a taxable benefit can be reimbursed.	The maximum pension allowance that may be offered is the lesser of 10% of salary or £50,000, plus private medical insurance, life assurance and personal accident insurance, the costs of which are determined by third-party providers.	None.
Annual bonus	Incentivises and rewards short-term performance (over no more than one financial year) through the achievement of pre-determined annual targets which support Company strategy and shareholder value. • Bonus in excess of 100% of salary deferred into EnQuest shares for two years, otherwise paid in cash. • The Committee has discretion to allow Executive Directors to receive dividends that would otherwise have been paid on deferred shares at the time of vesting. • Cash and share elements subject to malus and clawback in the event of a material misstatement of the Company's accounts, errors in the calculation of performance, or gross misconduct by an individual for up to three years following the determination of performance.	• Target payout at 75% of salary. • Maximum payout is 125% of salary.	• A scorecard is set annually by the Committee to include key performance objectives such as financial, operational, project delivery, HSEA targets and net debt. The Committee agrees the specific objectives and appropriate weightings. • Performance against key objectives has threshold, target and stretch components. • Where the threshold level of performance is met for each element, bonuses will begin to accrue on a sliding scale from 0%.

Component	Purpose and operation/ key features	Maximum potential opportunity	Applicable performance measures

Performance Share Plan ('PSP')	Encourages alignment with shareholders on delivery of the longer-term strategy of the Company. Enhances delivery of shareholder returns by encouraging higher levels of Company performance. Encourages executives to build a shareholding.
	• Awarded annually and may take account of the performance of the Company and the Executive Director in the prior year.
	• Awards vest after three years provided performance conditions have been achieved.
	• Awards vesting are subject to an additional two-year holding period which, unless the Committee determines otherwise, will apply up to the fifth anniversary of the date of grant.
	• Dividend equivalent on unvested awards will accrue in shares only.
	• The Committee has discretion to allow Executive Directors to receive dividends that would otherwise have been paid on shares at the time of vesting.
	• Awards may take the form of conditional awards, nil cost options or joint interests in shares. Where joint interests in shares are awarded, the participants and the Employee Benefit Trust ('EBT') acquire separate beneficial interests in shares in the Company.
	• Awards are subject to malus or clawback in the event of:
	  • Material misstatement of the Company's accounts;
	  • Errors in the calculation of performance;
	  • Gross misconduct by an individual for up to three years following the determination of performance;
	  • Material error in the information on which the size of awards or the extent of achievement of performance conditions was based;
	  • Material risk management failure;
	  • Material corporate failure;
	  • Fraud and financial impropriety;
	  • Serious reputational damage or material loss caused by the participant's actions;
	  • Material contravention by the participant of the Company's Values and ethics.
		• Normal maximum: 250% of salary.
		• Exceptional maximum: 350% of salary.
			• Vesting of awards will be based on a blend of measures including, but not limited to, relative TSR and ESG measures.
			• Maximum of 25% vesting at threshold.
			• Performance conditions applied to awards granted in the year under review and for the awards to be granted in the forthcoming year are set out in the Annual Report on Remuneration.
			• The number, type and weighting of performance measures may vary for future awards to help drive the business strategy.
			• The Committee will normally consult with major shareholders before introducing any material new metrics.

Shareholding requirements	To ensure sustained alignment between the interests of Executive Directors and our shareholders. • Executive Directors are required to maintain a shareholding of at least 200% of salary, with a requirement that this level is attained within five years of appointment. • Shareholding to be retained for a period of two years post-employment at the lower of the actual shareholding and the in-post requirement (200% of salary), including both vested and unvested shares.	n/a	None.
Chairman and Non-Executive Director fees	To attract Non-Executive Directors of the calibre and experience required for a company of EnQuest's size. • Fees for the Non-Executive Directors are reviewed annually by the Chairman and Executive Directors and take into account typical practice at other companies of a similar size and complexity, the time commitment required to fulfil the role, and salary increases awarded to employees throughout the Company. • Non-Executive Directors receive a base fee, with additional fees being paid to the Senior Independent Director and Committee Chairs, to reflect the additional time commitments and responsibilities these roles entail. • Additional fees may be paid if there is a material increase in time commitment and the Board wishes to recognise this additional workload. • Any reasonable business-related expenses (including tax thereon) which are determined to be a taxable benefit can be reimbursed. • The Non-Executive Directors are not eligible to participate in any of the Company incentive schemes. • The Chairman's fee is set by the Committee and consists of an all-inclusive fee.	• Reviewed periodically and limited by the Company's Articles of Association.	None.

Performance measures and targets

Annual bonus

The key performance indicators in the Group scorecard that also determine a significant proportion of the annual bonus of Executive Directors include, but are not limited to, the following categories:

- Environmental, social and governance ('ESG');
- Financial (including operating expenditure ('opex'), capital expenditure ('capex') and EnQuest net debt);
- Operational performance/production;
- Project delivery;
- Reserves additions; and
- Objectives linked to key accountabilities.

The measures in each category are selected by the Committee to support the creation of shareholder value. These criteria are also aligned with the longer-term strategy of the Group and the performance conditions of the Group's PSP. In addition to measuring performance against objectives, the Committee will consider the overall quality of the Group's financial performance and other factors, particularly HSEA, when determining annual performance pay awards.

Bonus objectives for EnQuest's CEO are typically based solely on the Group scorecard, referred to as the Company Performance Contract ('CPC') of EnQuest. Bonus objectives for other Executive Directors are also primarily based on the CPC for EnQuest, but may also include up to 50% based on additional objectives that cover specific key accountabilities and responsibilities of these roles.

Annual performance bonus and share deferrals

Executive Directors will normally receive any applicable annual performance bonus in cash and deferred shares, with any amount above the equivalent of 100% of salary converted into EnQuest shares (without further performance conditions) and deferred for two years, subject to continued employment. In exceptional circumstances, these awards may be settled in cash, but only with the pre-approval of the Remuneration Committee.

Performance Share Plan

The PSP is typically awarded annually and has a minimum vesting period of three years. Since 2019, awards granted have been subject to an additional two-year holding period which, unless the Committee determines otherwise, will apply up to the fifth anniversary of the date of grant.

Approach to recruitment remuneration

In the event that the Company appoints a new Executive Director, either internally or externally, when determining appropriate remuneration arrangements, the Committee will take into consideration a number of factors including, but not limited to: quantum relating to prior arrangements; the remuneration of other Executive Directors in the Company; appropriate benchmarks in the industry; and the financial condition of the Group. On the appointment of a new Chair or Non-Executive Director, the fees will be set taking into account the experience and calibre of the individual. This ensures that the arrangements are in the best interests of both the Company and its shareholders without paying more than is necessary to recruit an executive of the required calibre.

Salaries for new hires (including internal promotions) will be set to reflect their skills and experience, the Group's intended pay positioning and the market rate for the role. If it is considered appropriate to appoint a new Director on a below-market salary initially (for example, to allow them to gain experience in the role), their salary may be increased to a median market level over a period by way of increases above the general rate of wage growth in the Group and inflation.

The remuneration package for a new Executive Director would be set in accordance with the terms of the Group's approved Policy at the time. Different performance objectives may be set for the year of joining the Board for the annual bonus and PSP, taking into account the individual's role and responsibilities and the point in the year the executive joined.

Benefits and pensions for new appointees to the Board will be provided in line with those offered to other executives and employees taking into account corporate governance requirements and local market practice, with relocation expenses/arrangements provided for, if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with EnQuest. Legal fees and other relevant costs and expenses incurred by the individual may also be paid by the Group.

In the case of an internal promotion, any outstanding variable pay awarded in relation to the previous role will be allowed to continue according to its terms of grant.

The Committee may make additional awards on appointing an Executive Director to 'buy out' remuneration arrangements forfeited on leaving a previous employer. Any such payments would be based solely on remuneration lost when leaving the former employer and would reflect (as far as practicable) the delivery mechanism, time horizons and performance requirement attached to that remuneration. The Group's existing incentive arrangements, including the 2020 Restricted Share Plan ('RSP'), will be used to the extent possible for any buyout (subject to the relevant plan limits), although awards may also be granted outside of these schemes, if necessary, and as permitted under the Listing Rules.

Service contracts

Each Executive Director entered into their service agreement (which are available for inspection at the Group's London office) with the Company which are terminable by either party giving not less than 12 months' written notice. The Company may terminate their employment without giving notice by making a payment equal to the aggregate of the Executive Director's base salary and the value of any contractual benefits for the notice period including any accrued but untaken holiday. Such payments may be paid monthly and would be subject to mitigation.

Executive Directors[1]	Date of appointment	Notice period
Amjad Bseisu	22 February 2010	12 months
Salman Malik	15 August 2022	12 months
Jonathan Copus	7 December 2023	12 months

Note:
1 Jonathan Copus was employed by the Group from 7 December 2023 and became CFO of the Group on 1 February 2024. The notice period shown will be implemented on confirmation of appointment as an Executive Director of the Board

The Chairman and Non-Executive Directors have letters of appointment, the details of which are provided below.

Non-Executive Directors' letters of appointment[1]	Date of appointment	Notice period	Initial term of appointment
Gareth Penny	6 December 2022	3 months	3 years
Farina Khan	1 November 2020	3 months	3 years
Liv Monica Stubholt	15 February 2021	3 months	3 years
Rani Koya	1 January 2022	3 months	3 years
Michael Borrell	5 September 2023	3 months	3 years

Note:
1 Carl Hughes, John Winterman and Howard Paver stood down as Non-Executive Directors on 5 June 2023. Karina Litvack stood down as Non-Executive Director on 18 December 2023

External directorships

EnQuest recognises that its Executive Directors may be invited to become non-executive directors of companies outside the Company and exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to EnQuest. Any external appointments are subject to Board approval (which would not be given if the proposed appointment required a significant time commitment; was with a competing company; would lead to a material conflict of interest; or could otherwise have a detrimental effect on a Director's performance). Executive Directors will be permitted to retain any fees arising from such appointments, details of which will be provided in the respective companies' Annual Report on Remuneration.

Policy on payment for loss of office

The Company's policy is for all Executive Directors to have contracts of service which can be terminated by either the Director concerned or the Company on giving 12 months' notice of termination. In the event of termination by the Company (other than as a result of a change of control), the Executive Directors would be entitled to compensation for loss of base salary and cash benefit allowance and insured benefits for the notice period up to a maximum period of 12 months. Such payments may be made monthly and would be subject to mitigation (noting no such payments were made in 2023). The Company may also enable the provision of outplacement services to a departing Executive Director, where appropriate.

When Executive Directors leave the Company with good leaver status, and they have an entitlement to unvested shares granted under the Deferred Bonus Share Plan ('DBSP') and PSP, any performance conditions associated with each award outstanding would remain in place and be tested as normal at the end of the original performance period. Shares would also normally then vest on their original vesting date in the proportion to the satisfied performance conditions and are normally pro-rated for time. Awards held by Executive Directors who are not good leavers would lapse.

An annual bonus would not typically be paid to Executive Directors when leaving the Company. However, in good leaver circumstances, the Committee has the discretion to pay a pro-rated bonus in cash, in consideration for performance targets achieved in the year. Deferred bonus shares held by good leavers will normally vest at the normal vesting date.

Similar provisions related to the treatment of incentive awards would apply on a change of control, with performance conditions normally tested at the date of the change of control and with pro-rating for time, although the Committee has discretion to waive pro-rating (but not the performance conditions) where it feels this is in the best interests of shareholders.

The Non-Executive Directors do not have service contracts but their terms are set out in a letter of appointment. Their terms of appointment may be terminated by either party giving three months' notice in writing. During the notice period, Non-Executive Directors will continue to receive their normal fee.

Remuneration and Social Responsibility Committee discretion and determinations

The Committee will operate the annual bonus scheme, DBSP, PSP, RSP and Sharesave Scheme according to their respective rules and in accordance with the Listing Rules and HMRC requirements, where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these arrangements. These include, but are not limited to, the following:

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or payment;
- Discretion relating to the adjudication of performance against targets in the event of a change of control or reconstruction;
- Applying good leaver status in circumstances such as death, ill health and other categories as the Committee determines appropriate and in accordance with the rules of the relevant plan;
- Discretion to disapply time pro-rating in the event of a change of control or good leaver circumstances;

- Discretion to settle any outstanding share awards in cash in exceptional circumstances;
- Adjustments or variations required in certain circumstances (for example, rights issues, corporate restructuring, change of control, special dividends and other major corporate events); and
- The ability to adjust existing performance conditions and performance targets for exceptional events so that they can still fulfil their original purpose.

If an event occurs which results in any applicable performance conditions and/or targets being deemed no longer appropriate (for example, a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

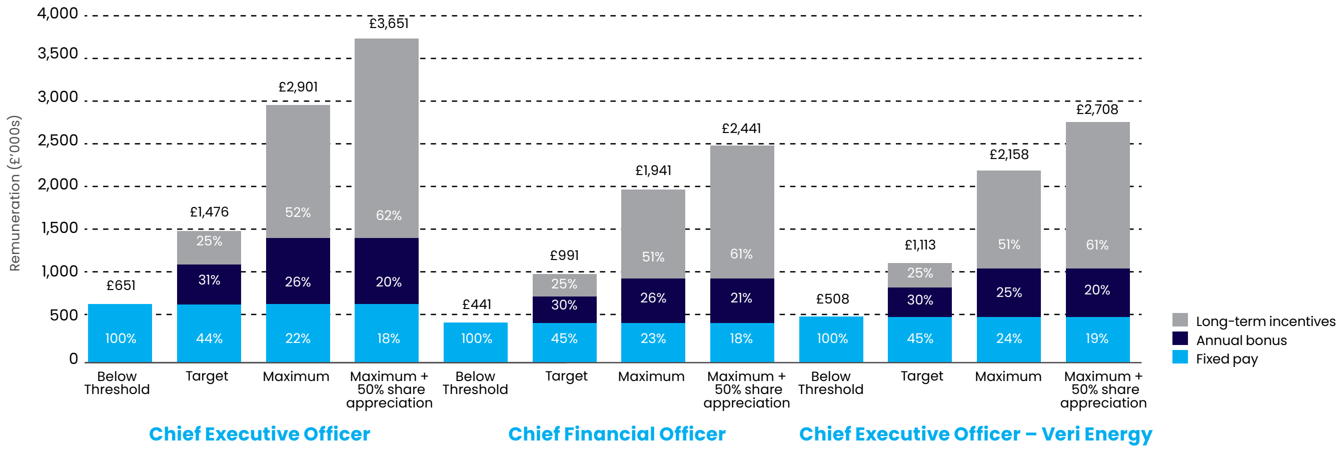
If tax liabilities arise from an error or omission by the Group that is outside of the control of the Executive Directors, the Committee will have the ability to reimburse any such tax liabilities.

Legacy awards
For the avoidance of doubt, authority is given to the Committee to honour any commitments entered into with current or former Directors (such as the payment of a pension or the unwind of legacy share schemes) that have been disclosed to shareholders in this or any previous DRRs or subsequently agreed in line with the approved Policy in force at that time. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Remuneration outcomes in different performance scenarios
The charts below set out an illustration of the remuneration arrangements for 2024 in line with the proposed Policy. These charts provide an illustration of the proportion of total remuneration made up of each component of the Policy and the value of each component.

In accordance with the remuneration reporting requirements, four 2024 scenarios are illustrated for each Executive Director:

Below threshold performance	• Fixed remuneration • Zero annual bonus • No vesting under the PSP
Target performance	• Fixed remuneration • 75% of annual base salary as annual bonus • 25% of maximum vesting under the PSP at threshold performance (62.5% of base salary)
Maximum performance	• Fixed remuneration • 125% of annual base salary as annual bonus (maximum payout) • Full vesting under the PSP (250% of base salary)
Maximum performance plus 50% share appreciation	• Fixed remuneration • Maximum payout under the annual bonus • Full vesting under the PSP plus assumed 50% share price appreciation at vesting (equivalent to 375% of base salary)



Notes:

For the CEO of EnQuest, Amjad Bseisu, fixed pay comprises salary from 1 January 2024, a pension allowance of £50,000 plus medical insurance benefit of £1,252.

For the CFO, Jonathan Copus, fixed pay comprises salary from 1 January 2024, a pension allowance of £40,000 plus medical insurance benefit of £1,252.

For the CEO – Veri Energy, Salman Malik, fixed pay comprises salary from 1 January 2024, a pension allowance of £44,000, international medical insurance benefit of £12,594 with an additional £11,168 in respect of grossing up the value of this premium in respect of taxation.

In 2024, the PSP awards granted will be scaled back by c.26% to 185% of base salary.

Statement of consideration of employment conditions elsewhere in the Group
The remuneration arrangements for the Executive Directors are consistent with the remuneration principles that have been established and are similar to those of the other employees of EnQuest.

The key differences are as follows:
- Executive Directors and members of the Executive Committee have their fixed pay set below or at market median for the industry; other employees typically have their salaries positioned at market median. Specific groups of key technical employees may have their salaries set above median for the industry;
- All employees are offered a non-contributory pension scheme. Executive Directors have opted to receive cash in lieu of pension. Non-Executive Directors do not participate in any pension or benefits arrangements;
- Non-Executive Directors do not participate in the annual bonus scheme;
- If applicable, Executive Directors have an element of the annual bonus automatically converted to shares and deferred; and
- All other employees may be invited to participate in the DBSP where they can elect to defer a defined proportion of their annual bonus and receive a matching amount of shares that vest over the following three years. Executive Directors are not eligible to receive matching share awards under this plan.

During the annual remuneration review, the Committee receives a report which details the remuneration arrangements of other executives and senior management as well as the overall spend versus budget for all employees. This report helps to act as a guide to the Committee as to the levels of reward being achieved across the organisation so that they can ensure the Directors' pay does not fall out of line with the general trends.

Employees have not previously been directly consulted about the setting of Directors' pay, although the Committee will take into consideration any developments in regulations in operating this Policy.

Statement of shareholder views
The Remuneration and Social Responsibility Committee welcomes and values the opinions of EnQuest's shareholders with regard to the structure and levels of remuneration for Directors.

Annual Report on Remuneration for 2023

Terms of reference
The Committee's terms of reference are available either on the Group website, www.enquest.com, or by written request from the Company Secretariat team at the Group's London headquarters. The remit of the Committee embraces the remuneration strategy and policy for the Executive Directors, the Executive Committee, senior management and, in certain matters, for the whole Group.

Meetings in 2023
The Committee has four scheduled meetings per year. During 2023, it met on four occasions to review and discuss the Policy renewal, appropriate compensation for Jonathan Copus as the incoming CFO, base salary adjustments for 2024, the setting of Group performance conditions and related annual bonus for 2022, PSP performance conditions, UK Corporate Governance Code provisions and the approval of share awards.

Committee members, attendees and advisers

Member	Date appointed Committee member	Attendance at scheduled meetings during the year
Howard Paver[1]	1 May 2019	2 of 2
Farina Khan	1 November 2020	4 of 4
Gareth Penny	15 February 2023	4 of 4
Karina Litvack[2]	15 September 2023	1 of 1

Notes:
1 Howard Paver stepped down as Non-Executive Director and as a Chair of the Committee on 5 June 2023
2 Karina Litvack was appointed as a Non-Executive Director and Chair of the Committee on 15 September 2023 and resigned as a Non-Executive Director on 18 December 2023

Advisers to the Remuneration and Social Responsibility Committee
The Committee invites individuals to attend meetings to provide advice to ensure that the Committee's decisions are informed and take account of pay and conditions in the Group as a whole. Those individuals, who are not members but may attend by invitation, include, but are not limited to:
- The Chief Executive;
- The Chief Financial Officer;
- The Company Secretary;
- A representative from the Group's Human Resources department; and
- A representative from Ellason LLP, appointed as remuneration adviser by the Committee in April 2022.

No Director takes part in any decision directly affecting their own remuneration.

Information subject to audit

Directors' remuneration: the 'single figure'

In this section of the report, payments made to the Executive and Non-Executive Directors of EnQuest for the year ended 31 December 2023, together with comparative figures for 2022 are set out.

Single total figure of remuneration – Executive Directors

		'Single figure' of remuneration – £'000s[1]							
Director	Year	Salary and fees	All taxable benefits	Pension[3]	Total fixed pay	Annual bonus[4]	LTIP[5]	Total variable	Total fixed and variable
Amjad Bseisu	2023	513	1	50	565	428	215	643	1,208
	2022	494	1	50	545	458	779	1,237	1,782
Salman Malik[2]	2023	440	77	44	561	367	34	401	962
	2022	207	53	20	280	156	143	299	579
Total	2023	953	78	94	1,126	795	249	1,044	2,169
	2022	701	54	70	825	614	922	1,536	2,361

Notes:
1 Rounding may apply on the numbers provided
2 Salman Malik was appointed CFO on 15 August 2022 and his salary, benefits and variable incentives for 2022 are shown on a pro-rata basis, with the LTIP value based on an award made prior to his appointment. Taxable benefits for Salman Malik in 2022 and 2023 include international private medical insurance grossed-up for income tax and National Insurance
3 Cash was provided in lieu of a company pension contribution.
4 The amount stated is the full amount (including any portion deferred). Any amount that is above 100% of their salary is paid in EnQuest PLC shares, deferred for two years, and subject to continued employment
5 PSP awarded on 27 April 2021 that vests on 25 April 2024: the LTIP value shown in the 2023 single figure is calculated by taking the number of performance shares that will vest (20%) multiplied by the average value of the EnQuest share price between 1 October 2023 and 31 December 2023 (14.5 pence), as the share price that will apply on 27 April 2024 is not known at the time of this report. As the share price declined over the period, none of the value above is attributable to share price appreciation. This number of shares has been adjusted in line with the open offer dated 26 July 2021
The PSP awarded on 10 September 2020 which vested on 11 September 2023: the LTIP value shown in the 2022 single figure is calculated by taking the number of performance shares that vested (74.8%) multiplied by the actual opening share price of 14.7 pence on the next business day following the vesting date of 11 September 2023. The 2022 value of the vested shares in the remuneration table has been updated from last year's value to represent the actual value received on the date of vesting

Single total figure of remuneration – Non-Executive Directors

The remuneration of the Non-Executive Directors for the year ended 31 December 2023 was as follows, together with comparative figures for 2022:

	'Single figure' of remuneration – £'000s					
Director	Salary and fees 2023	Salary and fees 2022[7]	All taxable benefits 2023	All taxable benefits 2022	Total for 2023	Total for 2022
Gareth Penny[1]	200	14	–	–	200	14
Howard Paver[2]	54	105	–	–	54	105
Carl Hughes[2,3]	47	95	–	–	47	95
John Winterman[2]	47	95	–	–	47	95
Farina Khan	66	85	–	–	66	85
Liv Monica Stubholt	60	85	–	–	60	85
Rani Koya[4]	70	88	–	–	70	88
Michael Borrell[5]	19	–	–	–	19	–
Karina Litvack[6]	20	–	–	–	20	–
Total	585	567	–	–	585	567

Notes:
1 Gareth Penny was appointed as Non-Executive Chairman on 6 December 2022
2 Howard Paver, Carl Hughes and John Winterman stepped down from their roles as Non-Executive Directors on 5 June 2023
3 After stepping down from the Board, Carl Hughes began a separate short-term consultancy agreement with EnQuest that ended on 31 December 2023 to provide ad-hoc support on general finance and audit matters, as well as to enable a smooth transition of responsibilities. The total fee for this separate engagement paid to Mr Hughes was £30,000 and is not included in the single figure above as it was compensation received after leaving the Board
4 Rani Koya was appointed Chair of the Sustainability Committee on 1 September 2022
5 Michael Borrell was appointed to the Board on 5 September 2023
6 Karina Litvack was appointed to the Board on 15 September 2023 and stepped down from the Board on 18 December 2023. Her fee includes the additional fees payable as the Senior Independent Director and Chair of the Remuneration and Social Responsibility Committee
7 Non-Executive Directors were each paid an additional one-off fee of £25,000 in July 2022. Further details were provided in the 2022 Annual Report

Annual bonus 2023 – paid in 2024

The Committee's belief is that any short-term annual bonus should be tied to the overall performance of the Group. An Executive Director's annual bonus may also be tied to additional objectives that cover their own specific area of key accountabilities and responsibilities. The maximum bonus entitlement for the year ended 31 December 2023 as a percentage of base salary was 125% for Amjad Bseisu and Salman Malik.

For both Amjad Bseisu and Salman Malik, the annual bonus reported in the single figure table for 2023 was wholly based on the CPC results.

Company Performance Contract ('CPC')

The details of the CPC for both Amjad Bseisu and Salman Malik in 2023 are set out in the following tables, showing the performance conditions and respective weightings against which the bonus outcome was assessed.

Any payout against the CPC may be subject to an additional underpin based on the Committee's assessment of the Group's HSEA performance. Following below-target performance in relation to HSEA metrics in 2023, it was the view of the Committee that the scorecard outcome should be adjusted in line with HSEA performance for the Group.

The annual bonus summary for the Executive Directors for 2023 is shown in the table below based on the achievement of the performance conditions against the CPC for both Amjad Bseisu and Salman Malik.

		Performance targets				
Performance measure	Weighting	Threshold	Target	Maximum	Actual outturn	Actual outturn (% of maximum)[1]
Production (Kboed)	25.0%	42.0	44.0	46.0	43.8	57.0%
Expenditure[2] Cash opex/capex/abex ($ million)	15.0%	715.0	650.0	617.5	604.0	100.0%
ESG, culture and D&I Emissions: reduce flaring on producing assets against 2022	5.0%	2.5% reduction	5.0% reduction	7.5% reduction	22.0% reduction	100.0%
ESG, culture and D&I Manage voluntary employee attrition rates	5.0%	12.0%	8.0%	6.0%	9.8%	33.0%
Liquidity management Reduce leverage year-on-year from 2022, whilst maintaining adequate liquidity ($ million)	20.0%	717.0	514.0	463.0	481.0[3]	92.9%
Upstream organic and inorganic growth Deliver projects that contribute to ongoing growth of the Company	15.0%	Deliver one	Deliver two	Deliver three of more	Delivered two	60.0%
Infrastructure and New Energy growth projects	10.0%	Deliver one	Deliver two	Deliver three of more	Delivered two	60.0%
Alignment to strategic objectives Based on report by corporate broker	5.0%	Red/ 0.0	Amber/ 1.0	Green/ 1.5	Between threshold and target	30.0%
Total bonus outturn before HSE&A deductor (% of maximum)						**71.0%**
HSE&A performance deductor						94.0%
Total bonus outturn (% of maximum)						**66.7%**

Notes:
1 Rounding has been applied to percentages
2 In relation to the financial measures, threshold, target and stretch performance pays out at 0%, 60% and 100% of maximum respectively and on a straight-line basis in between threshold and target performance and between target and stretch performance. For other measures, threshold performance pays out at 30% of maximum
3 Final outturn included the creation of a term loan during 2023

2023 Annual bonus outcome

Name	Salary	Maximum annual bonus (% of salary)	Total bonus outturn (% of maximum)	Total bonus outturn (% of salary)	Total 2023 bonus (£)	Paid as cash (£)	Deferred in shares (£)
Amjad Bseisu	£513,300	125.0%	66.7%	83.4%	£428,150	£428,150	£0
Salman Malik	£440,000	125.0%	66.7%	83.4%	£367,009	£367,009	£0

2021 PSP awards that vest in 2024

The LTIP award made to Executive Directors on 24 April 2021 was based on the performance to the year ended 31 December 2023 and will vest on 25 April 2024.

Targets applying to the 2021 PSP award were set by the Committee in March 2021.

The performance targets for this award and actual performance against those targets over the three-year financial period were as follows:

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Performance outcome	Vesting outcome (% of maximum)
Relative TSR over the period 1 January 2021 to 31 December 2023	80.0%	50th percentile	75th percentile	30th percentile	0.0%
Emission reduction over the period 1 January 2021 to 31 December 2023	20.0%	10% reduction	12% reduction	24% reduction	100.0%
Total vesting outcome					20.0%

Note:
The TSR comparators for the 2021 PSP cycle are shown in the table on page 111

The table below shows the number of nil cost options awarded on 24 April 2021 that will vest on 24 April 2024 and their value as at 31 December 2023. This figure is calculated by taking the average closing share price on each trading day of the period 1 October 2023 to 31 December 2023 and is used as the basis for reporting the 2023 'single figure' of remuneration. The actual value of these shares recorded in the remuneration table will be updated in 2024 to represent the actual value received on the day of vesting.

Name	Original number of shares	Adjusted number of shares[1]	Portion vesting	Number of shares vesting	Average share price £	Value at 31 Dec 2023 £
Amjad Bseisu	7,407,792	7,442,048	20.0%	1,488,409	0.1446	215,151
Salman Malik[2]	1,157,869	1,163,223	20.0%	232,644	0.1446	33,629

Notes:
1. Following an adjustment made in relation to the open offer of 26 July 2021
2. Awards made to Salman Malik were under the relevant terms applicable for his role before he was appointed as an Executive Director in August 2022 and are not subject to the mandatory two-year holding period

April 2023 PSP award grant

After due consideration of Business performance in 2022, the Remuneration and Social Responsibility Committee awarded the Executive Directors the following performance shares on 10 July 2023:

	Face value (% of salary)	Face value at date of grant £	Number of shares[1]	Performance period
Amjad Bseisu	250.0%	1,233,777	8,102,723	1 Jan 2023–31 Dec 2025
Salman Malik	250.0%	1,100,002	7,224,166	1 Jan 2023–31 Dec 2025

Note:
1 Based on the average middle market quote for the three days preceding the date of grant on 10 July 2023 of 15.23 pence

Summary of performance measures and targets – April 2023 PSP grant

The 2023 PSP share awards granted on 10 July 2023 will be measured 80% against a relative TSR performance condition over a three-year financial performance period and 20% based on emission reduction over the same period. Vesting is determined on a straight-line basis between threshold and maximum for the performance condition. The performance period for the award will be 1 January 2023 to 31 December 2025 and thereafter subject to a mandatory two-year holding period.

2023 PSP – schedule for vesting in 2026

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Relative TSR over the period 1 January 2023 to 31 December 2025	80.0%	50th percentile	75th percentile or higher
Emission reduction over the period 1 January 2023 to 31 December 2025	20.0%	10% reduction	12% reduction or more

Note:
1 Linear between threshold and maximum

PSP measure – base levels

The table below summarises the historical base levels that emission reduction performance is measured from, for a three-year period for each annual PSP grant, up to and including the PSP award granted in 2023:

Year of grant	Emissions – base level
2021 80% relative TSR/20% emission reduction	1,343 ktCO_2e
2022 80% relative TSR/20% emission reduction	1,145 ktCO_2e
2023 80% relative TSR/20% emission reduction	1,052 ktCO_2e

The comparator group companies for the TSR performance condition relating to the 2021 and 2022 awards are as follows:

Africa Oil	DNO	Hurricane Energy[4]	Orrön Energy[3]
Aker BP ASA	Energean	Jadestone	Pharos Energy
BW Energy	Genel Energy	Kosmos	Santos
Capricorn Energy[1]	Harbour Energy[2]	Maurel & Prom	Serica
Diversified Energy	Hibiscus Petroleum	Okea	Tullow Oil

2023 PSP award TSR comparator group

Africa Oil	Energean	Hurricane Energy[4]	Maurel & Prom
Aker BP	Genel Energy	Ithaca Energy	OKEA
BW Energy	Gulf Keystone Petroleum	Jadestone Energy	Pharos Energy
Capricorn Energy[1]	Harbour Energy[2]	Kistos	Serica Energy
DNO	Hibiscus Petroleum	Kosmos Energy	Tullow Oil

Notes:
1 Capricorn Energy formerly known as Cairn Energy
2 Harbour Energy formerly known as Premier Oil
3 Orrön Energy formerly known as Lundin Petroleum. It was tracked as a comparator until June 2022 and thereafter the median of the remaining comparator group is tracked instead
4 Hurricane Energy was tracked as a comparator until delisting in June 2023 when it was acquired by Prax Group. Thereafter the median of the remaining comparator group is tracked instead

The number of PSP awards outstanding as at 31 December 2023 is as follows:

	Total shares awarded	Adjusted shares awarded[1]	Performance period	Performance conditions (and weighting)	Vesting date
Grant date – April 2021					
Amjad Bseisu	7,407,792	7,442,048	1 Jan 2021–31 Dec 2023	TSR (80%)	25 Apr 2024
Salman Malik	1,157,869	1,163,223		Emission reduction (20%)	
Grant date – April 2022					
Amjad Bseisu	3,343,689	n/a	1 Jan 2022–31 Dec 2024	TSR (80%)	25 Apr 2025
Salman Malik	1,619,078	n/a		Emission reduction (20%)	
Grant date – July 2023					
Amjad Bseisu	8,102,723	n/a	1 Jan 2023–31 Dec 2025	TSR (80%)	25 Apr 2026
Salman Malik	7,224,166	n/a		Emission reduction (20%)	

Note:
1. Total shares awarded are shown following an adjustment made in relation to the open offer of 26 July 2021

Pension allowance

Executive Directors who do not participate in the EnQuest pension plan instead receive cash in lieu. Amjad Bseisu received £50,000, and Salman Malik received £44,000 in 2023. This was equivalent to 9.7% of Amjad Bseisu's 2023 salary and 10.0% of Salman Malik's 2023 Executive Director salary.

Statement of Directors' shareholding and share interests
The interests of the Directors in the share capital of the Company as at 31 December 2023 are shown below:

PSP	31 December 2022	Granted	Lapsed	31 December 2023	Vesting period	Expiry date
Amjad Bseisu	7,090,042		1,786,691	5,303,351	10 Sep 2020–9 Sep 2023	9 Sep 2030
	7,442,048			7,442,048	27 Apr 2021–25 Apr 2024	26 Apr 2031
	3,343,689			3,343,689	25 Apr 2022–24 Apr 2025	24 Apr 2032
		8,102,723		8,102,723	25 Apr 2023–24 Apr 2026	25 Apr 2033

PSP	31 December 2022	Granted	Lapsed	31 December 2023	Vesting period	Expiry date
Salman Malik	1,303,405		328,459	974,946	10 Sep 2020–9 Sep 2023	9 Sep 2030
	1,163,223			1,163,223	27 Apr 2021–26 Apr 2024	26 Apr 2031
	1,619,078			1,619,078	25 Apr 2022–24 Apr 2025	24 Apr 2032
		7,224,166		7,224,166	25 Apr 2023–24 Apr 2026	24 Apr 2033

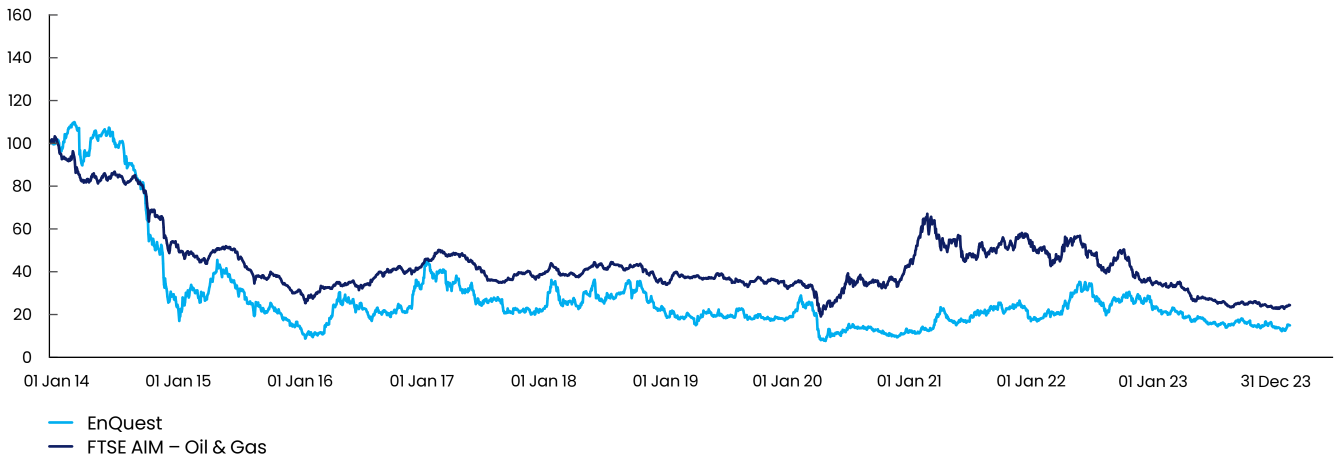
The table above shows for the unvested awards the maximum number of shares that could be released if awards were to vest in full. These awards first vest on the third anniversary of the award date, subject to the achievement of performance conditions (as described elsewhere in this report). Awards are subject to an additional two-year holding period which, unless the Committee determines otherwise, will apply up to the fifth anniversary of the date of grant.

Statement of Directors' shareholdings and share interests
Executive Directors are currently required to build up and hold shares in the Company worth 200% of salary and are expected to retain 50% of shares from vested awards under the PSP (other than sales to settle any tax or social security withholdings due) until they hold at least 200% of salary in shares (this includes shares which are beneficially owned directly or indirectly by family members of an Executive Director).

	Legally owned (number of shares)	Value of legally owned shares as % of salary[1]	Unvested and subject to performance conditions under the PSP	Vested but not exercised under the PSP	Vested but not exercised under the RSP	Sharesave	Executive deferrals	Total at 31 December 2023	Value of shareholding as a % of salary[1,2]
Amjad Bseisu[3]	234,732,857	6,610%	12,934,821	9,907,361	–	–	72,475	257,647,514	6,751%
Salman Malik	565,705	19%	9,075,888	1,419,032	–	–	–	11,060,625	42%
Gareth Penny[4]	137,047	n/a	n/a	n/a	n/a	n/a	n/a	137,047	n/a
Farina Khan	211,235	n/a	n/a	n/a	n/a	n/a	n/a	211,235	n/a
Liv Monica Stubholt	–	n/a	n/a	n/a	n/a	n/a	n/a	–	n/a
Rani Koya	–	n/a	n/a	n/a	n/a	n/a	n/a	–	n/a
Michael Borrell	–	n/a	n/a	n/a	n/a	n/a	n/a	–	n/a

Notes:
1 Shares are valued by taking the average closing share price on each trading day of the period 1 October 2023 to 31 December 2023
2 The value of shareholding as a percentage of salary is calculated by combining the number of legally owned shares with a forward projection that 50% of unvested share awards will vest. The resultant projected number of shares is then valued by applying the share valuation process detailed in note 1 above
3 As at 31 December 2023, 201,881,058 shares were held by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu. 32,674,840 shares were also held by The Amjad and Suha Bseisu Foundation and the remaining 176,959 shares were held by Amjad Bseisu directly
4 62,500 shares are held by Gareth Penny, 74,547 shares are held by Kate Penny, his wife

Information not subject to audit
Total Shareholder Return and Chief Executive total remuneration
The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE AIM All-Share Oil & Gas, also measured by TSR. The FTSE AIM All-Share Oil & Gas index has been selected for this comparison as it is the index whose constituents most closely reflect the size and activities of EnQuest.



Historical Chief Executive pay – 'single figure' history
The table below sets out details of the Chief Executive's pay for 2023 and the previous nine years and the payout of incentive awards as a proportion of the maximum opportunity for each period. The Chief Executive's pay is calculated as per the 'single figure' of remuneration shown elsewhere in this report. During this time, Amjad Bseisu's total remuneration has been:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
'Single figure' of total remuneration (£'000s)	817	884	941	998	1,306	1,275	1,244	1,658	1,782[1]	1,208[2]
Annual bonus (as a % of maximum)	24	27	33	57	79	81	60	65	74	67
Long-term incentive vesting rate (as a % of maximum PSP)	79	77	56	11	56	50	64	44	75	20

Notes:
1 Confirmed outcome updated after applying share price on PSP vesting date in 2023
2 Forecast outcome based on applying three-month average share price to expected PSP awards scheduled to vest in April 2024

CEO pay ratio 2023
The CEO pay ratio has been calculated using the 'Option A' methodology which compares the single total figure of remuneration ('STFR') of the CEO to UK employees for the 12 months ending 31 December 2023 on a full-time equivalent basis. This methodology has been chosen as it offers the most accurate and preferred approach for companies to apply based on institutional investor guidelines.

			CEO pay ratio		
Financial year	Methodology		P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2023			13:1	11:1	9:1
2022			25:1	20:1	17:1
2021	A	STFR	15:1	13:1	11:1
2020			14:1	12:1	10:1
2019			23:1	14:1	11:1

Total remuneration is as defined in the single total figure of remuneration for Executive Directors. EnQuest has determined the P25, P50 and P75 individuals with reference to a ranking of total remuneration and by identifying those employees with the most typical pay structure of a UK-based employee. All employees have been included as at 31 December 2023, with remuneration of part-time employees and those employees on statutory leave included on a full-time equivalent basis. The reduction in the CEO pay ratio in 2023 can be attributed to the lower value of the PSP at vest driven by the lower share price and the reduced performance outturn of the 2021 PSP award relative to the 2020 PSP award in the prior year.

Data points reflect the 25th, 50th and 75th percentile of all UK employees' total remuneration as follows:

				UK STFR		
Financial year	Methodology		CEO[1]	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2023			£1,207,852	£96,054	£109,402	£129,382
2022			£2,355,344	£95,589	£115,917	£136,877
2021	A	STFR	£1,418,141	£92,108	£106,862	£128,860
2020			£1,118,892	£78,729	£92,508	£110,817
2019			£1,448,480	£62,717	£104,769	£129,558
2023			£513,300	£86,474	£96,917	£100,320
2022			£493,510	£71,268	£71,675	£71,966
2021	A	Base salary	£479,136	£65,500	£69,960	£89,920
2020			£455,179	£52,346	£75,833	£70,874
2019			£469,741	£51,952	£76,503	£87,941

Note:
1 The single total figure of remuneration shown above is based on the forecast PSP outcome as reported in the relevant Directors' Remuneration Report at the time and has not been updated after vesting

In setting both the CEO remuneration and the remuneration structures for the wider UK workforce, EnQuest has adopted a remuneration structure which includes the same elements for employees at all levels (base pay, benefits, pension, cash bonus and share awards). While all employees receive a base salary that is market competitive for their role and commensurate with our business size, differences exist in the quantum of variable pay that is achievable by the senior executive team and by individuals at senior management levels within the Group. At these levels, where there is a greater opportunity to influence Group performance, there is a greater emphasis on aligning executives with shareholders. Based on this distinction, the Group believes that the median pay ratio is consistent with the wider pay, reward and progression policies impacting UK employees.

Relative spend on pay
The table below shows the actual expenditure of the Group on total employee pay, as well as profitability and distributions to shareholders, and the change between the current and previous years:

	2022 $ million	**2023 $ million**
Adjusted EBITDA[1]	979	**825**
EnQuest net debt	717	**481**
Distribution to shareholders	0	**0**
Total employee pay	93	**88**

Note:
1 Adjusted EBITDA has been chosen as an appropriate measure of return to shareholders and net debt as a measure of EnQuest's commitment to its lenders (see Glossary – Non-GAAP measures on page 193 for how these are calculated)

Change in Directors' pay relative to the workforce

	Base salary/fees %				Bonus %				Benefits %			
	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020	**2022 to 2023**	2021 to 2022	2020 to 2021	2019 to 2020	**2022 to 2023**	2021 to 2022	2020 to 2021	2019 to 2020
Amjad Bseisu	**4**	3	5	(3)	**(7)**	17	9	(25)	**10**	0	0	0
Salman Malik[1]	**6**	–	–	–	**18**	–	–	–	**(27)**	–	–	–
Gareth Penny[2]	**0**	–	–	–	**–**	–	–	–	**–**	–	–	–
Farina Khan[3]	**(23)**	42	–	–	**–**	–	–	–	**–**	–	–	–
Liv Monica Stubholt[3]	**(29)**	42	–	–	**–**	–	–	–	**–**	–	–	–
Rani Koya[3]	**(20)**	–	–		**–**	–	–	–	**–**	–	–	–
Michael Borrell[4]	**–**	–	–	–	**–**	–	–	–	**–**	–	–	–
UK employees (average)[5]	**4**	3	0	3	**10**	(7)	3	(21)	**10**	0	0	3

Notes:
UK employees have been chosen as the most appropriate comparator group as the majority of the EnQuest workforce is UK based and their pay structure is comparable to the Directors' pay based on annualised amounts paid in 2022 and 2023. Benefits include employer pension contribution and/or allowance.

1 Salman Malik became an Executive Director in July 2022 and the change in pay is calculated on a full-year equivalent amount
2 Gareth Penny was appointed to the Board in December 2022 and the change in pay is calculated on a full-year equivalent amount
3 Non-Executive Directors were each paid an additional one-off fee of £25,000 in 2022; the percentage change in fee from 2022 to 2023 reflects this payment
4 Michael Borrell was appointed to the Board in September 2023
5 The vast majority of UK-based employees directly support the North Sea business and have a proportion of their bonus based on the performance of the business unit reflected in their annual bonus payment

Statement of implementation of the Remuneration Policy for the year ending 31 December 2024
Base salary and 2024 pay review
As stated in the annual statement to this report, the remuneration for the Executive Directors is geared towards variable pay linked to long-term performance targets, with base salaries currently set in relation to benchmarks for the energy industry and comparable sized companies. In the view of the Committee, it is therefore important to ensure that the base salaries of the Executive Directors are reviewed annually and that any increase reflects the change in scale and complexity of the role, as well as the performance of the Executive Director. The table below shows the changes applied to salaries for 2024.

Name	Salary for 2023 £	Salary for 2024 £	Increase %
Amjad Bseisu	513,300	600,000	16.9%
Salman Malik	440,000	440,000	0.0%
Jonathan Copus[1]	400,000	400,000	0.0%

Note:
1 Jonathan Copus will be nominated as an Executive Director from the AGM in 2024. His salary is included here for completeness

The salary for EnQuest's CEO, Amjad Bseisu, will be increased in 2024 to be more consistent with the market median. As part of the review process, the Committee commissioned a benchmarking study to review the competitiveness of the current remuneration arrangements. The analysis suggested that the remuneration package is notably below market for both similarly sized UK-listed peers and other peers operating in the sector. The CEO's salary in particular is bottom quartile when compared to market and whilst a competitive long-term incentive opportunity partially makes up for this, the result is a fair value 'Total Remuneration' package that sits below the 25th percentile. The below market salary positioning of the CEO reflects a number of factors. Amjad is a long-serving executive by FTSE standards, with his salary increases generally tracking below those awarded to the broader workforce. Since listing in 2010, Amjad's salary has risen as an equivalent of 2.4% per annum, including four years of salary freezes. Over this period, the Committee believes the CEO has performed strongly as a leader as the scope and complexity of his role has evolved, whilst executive pay across the wider FTSE market has been on an upward trajectory.

The average salary uplift for Group employees was 3.9%, although individual uplifts varied according to market position, and individual experience and performance.

Joining arrangements for Jonathan Copus
Jonathan began employment with EnQuest on 7 December 2023 as CFO Designate and became CFO on 1 February 2024. Subject to shareholder approval, he will be appointed an Executive Director of the Group at the 2024 AGM. The Committee approved the remuneration package as described in this section that came into effect from his appointment. His remuneration was set in accordance with the Policy in place.

Jonathan's annual base salary has been set at £400,000 and he will be entitled to an annual performance bonus and PSP awards aligned to the Policy for Executive Directors as described in this report. In addition, Jonathan will receive the other standard benefits including private medical insurance, life assurance cover and payment in lieu of a pension contribution equal to 10% of his annual base salary that apply to other Executive Directors. There was no requirement for joining or other buy-out awards to secure Jonathan's appointment with the Group.

Pension and other benefits
The Group will continue to pay a cash benefit in lieu of pension of the lesser of 10% of salary or £50,000 (the CEO receives the pension benefit at the capped level). The Group will also continue to pay private medical insurance, life assurance and personal accident insurance, the costs of which are determined by third-party providers. The Company pays for international private medical insurance for Salman Malik and his family to reflect the multi-country residence of his dependents.

Annual bonus
For the year ended 31 December 2024, the annual bonus opportunities for the Executive Directors will remain unchanged and in line with the proposed Policy of 75% of salary at target and 125% of salary at maximum.

The annual bonus scheme for 2024 is structured as follows:
- Awards will be determined based on a balanced combination of financial and operational performance measures;
- Executive Directors (and other executive management) will have threshold, target and stretch performance levels attributed to key performance objectives;
- Executive Directors' bonuses will be determined predominantly by the performance of the Group;
- Each part of the bonus will represent a discrete element which will be added together to determine the performance award for the year; and
- Stretching targets will continue to apply to achieve maximum payout.

The 2024 metrics and weightings, which will determine the level of short-term incentive awards for the Executive Directors, are set out below.

Group 2024 performance measures scorecard

Metric	Weighting
Production	20.0%
Expenditure	10.0%
Regulatory, ESG and culture	12.5%
Liquidity management	10.0%
Balance sheet management	10.0%
Growth	37.5%

Notes:
Precise targets are commercially sensitive and are not being disclosed in advance at this time
Performance in HSEA is central to EnQuest's overall results. This category may be used as an overlay on overall Group performance

Maximum bonus will be payable only when performance significantly exceeds expectations. To the extent that the targets are no longer commercially sensitive, they will be disclosed in next year's report.

Any amount of bonus earned above 100% of salary will be deferred into EnQuest shares for two years, subject to continued employment.

Performance share awards
2024 PSP awards
In order to reflect the volatility of the Company's share price and ensure Executive Directors do not benefit from 'windfall gains', the grant level of the PSP awards in 2024 will be scaled back c.26% to c.185% of salary (reflecting the fall of the Company's average share price between Q4 2022 and the same period in 2023.

Summary of 2024 PSP performance measures and targets
In line with recent awards, the PSP share awards granted in 2024 will have two performance metrics, both measured over a three-year financial period starting 1 January 2024:
- 80% of the award relates to relative TSR against a comparator group of 20 oil and gas companies; and
- 20% relates to emission reduction over three years.

2024 PSP – scheduled for 2027 vesting

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Relative TSR over the period 1 January 2024 to 31 December 2026	80.0%	50th percentile	75th percentile or higher
Emission reduction over the period 1 January 2024 to 31 December 2026	20.0%	10% reduction	12% reduction or more

2024 PSP award TSR comparator group

Africa Oil	Energean	Ithaca Energy	Maurel & Prom
Aker BP	Genel Energy	Jadestone	OKEA
BW Energy	Gulf Keystone Petroleum	Jersey Oil and Gas[1]	Pharos Energy
Capricorn Energy	Harbour Energy	Kistos	Serica Energy
DNO	Hibiscus Petroleum	Kosmos Energy	Tullow Oil

Note:
1 New addition for 2024 comparator group

Non-Executive Directors
The fees for the Non-Executive Directors with effect from 1 January 2024 are:

	Fee
Chairman	£200,000
Director	£60,000
Senior Independent Director	£10,000
Committee Chair	£10,000

External benchmarking of Non-Executive Directors is carried out on an annual basis. The decision was taken to keep fees for Non-Executive Directors at the current 2023 levels following a benchmark review.

Advisers to the Committee
Ellason LLP, who were appointed in August 2022 following a competitive tender process, provided advice to the Remuneration and Social Responsibility Committee during 2023. The Committee satisfied itself that the advice given was objective and independent, with Ellason LLP being a signatory to the Remuneration Consultants Group Code of Conduct, which sets out guidelines for managing conflicts of interest. Ellason LLP do not provide any other services to the Group.

The fees paid to Ellason LLP in 2023 totalled £62,520 (excluding VAT). The fees were charged on the basis of the number of hours worked. In 2022, fees paid to the advisers to the Committee totalled £61,815 (excluding VAT).

Statement of voting at the Annual General Meeting
The table below summarises the voting at the AGM held on 5 June 2023 in respect of the Directors' Remuneration Report. The Remuneration Policy was last approved by shareholders at the 2021 AGM, receiving 95.35% support. The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the reasons for any such vote will be sought, and any actions in response will be detailed here.

	Number of votes cast for	Percentage of votes cast for	Number of votes cast against	Percentage of votes cast against	Total votes cast	Number of votes withheld
Remuneration Report (2023)	**765,121,393**	**85.73%**	**127,331,465**	**14.27%**	**898,640,021**	**6,187,163**

The Directors' Remuneration Report was approved by the Board and signed on its behalf by Gareth Penny.

Gareth Penny
Chairman and Interim Chair of the Remuneration and Social Responsibility Committee
27 March 2024

Sustainability Committee report

> "The Committee is enthused about the exciting opportunities for the Group in the energy transition."
>
> Rani Koya
> **Chair of the Sustainability Committee**

Dear shareholders

In 2023, the Board approved the merger of the Group's Technical and Reserves Committee and the Safety, Sustainability and Risk Committee to be restructured as a single Sustainability Committee that would maintain focused oversight over areas that were previously segregated between the two committees. This approach is designed to enhance the efficiency of oversight by the Board whilst empowering relevant teams to conduct detailed work in relation to all technical matters, asset integrity, review of reserves as well as the key areas of energy transition, health and safety, environment, assurance and risk.

On behalf of the Board and my fellow Committee members, I am therefore pleased to present the report for the newly convened Sustainability Committee.

Climate, new energy and decarbonisation

During the year, the Committee continued to reflect and focus on climate change, and I am delighted to announce that in September 2023, the Board announced the Group's commitment to reach net zero for Scope 1 and Scope 2 emissions by 2040. In terms of emissions, the UK Government's North Sea Transition Deal requires the industry to deliver material CO_2 equivalent reductions progressively by 2025, 2027 and 2030, against a 2018 baseline. I am pleased to report the Group is well ahead of the 2025 and 2027 targets and on track to meet the required reduction by 2030. In addition, the Group is considering a strategic roadmap identifying the steps required to move towards net zero and is reviewing the suitability of a number of Scope 3 emission categories, thus allowing for further improvement in our emission reduction targets. A baseline has been developed for emissions associated with waste in 2023 under Scope 3 emissions.

The Committee has reviewed the plans for the Group's new energy and decarbonisation business, both in its emission reduction objectives and longer-term renewable energy opportunities. It sees exciting opportunities in this area for the Group, particularly with respect to the Group's ambition to play a pivotal part in the energy transition.

HSE & Asset Integrity ('HSEA')

The health and safety of our personnel remains a key priority for the Group. Throughout 2023, the Committee continued to undertake detailed analysis of specific risk areas to ensure that asset integrity and the safety of our personnel are not compromised.

The Committee believes that significant progress has been made in relation to this risk and it is evident that asset integrity management within the Group is risk based, proportionate and focused and relevant risks were indeed being considered in the budget process. Engagement with the Health and Safety Executive ('HSE') remained positive throughout the year and the HSE Improvement Notices ('INs') received in December 2022 and May 2023 were successfully closed out ahead of the agreed deadline. Whilst receiving INs is undoubtedly disappointing, it represents an opportunity for the Group to identify and drive further improvements. The North Sea business took part in a Process Safety Leadership inspection in 2023 and received positive feedback; it was noted that EnQuest is creating a foundation within the organisation on which to build on in terms of people, process and plant.

Whilst there has been some deterioration in HSEA performance during 2023, particularly in lagging indicators associated with routine tasks at site, the Committee considers that the learning culture within the Group ensures that the causes of incidents are established, shared and action plans implemented to prevent recurrence. Reflecting the desire for improved performance, the Group's integrated HSEA Continuous Improvement Plan focuses on the key areas to drive enhanced performance in 2024 and beyond.

Risk Management Framework

The Group has a robust Risk Management Framework, which the Committee reviews regularly to ensure that it adequately recognises the full extent of risks and associated controls in a complex and rapidly changing landscape for the sector. In 2023, the Committee incorporated enhancement in the Group's activity on safety, sustainability and risk in support of its strategic ambition to provide creative solutions through the energy transition. The Committee has also reviewed and approved risk management improvements in specific risk areas.

Technical and reserves

During the year, the Technical and Reserves Committee reviewed several business development opportunities, and the technical assumptions underpinning these and was satisfied with the process and outcome of the exercises. Additionally, the Committee also concluded the post-investment review of the 2021 Golden Eagle acquisition.

With the renewed focus of the Sustainability Committee, I am confident that this Committee will continue to make a very positive impact with regard to the Group's asset strategy, risk framework, investment opportunities and net zero ambition.

Rani Koya
Chair of the Sustainability Committee
27 March 2024

Sustainability Committee membership

Membership of the Committee, established 5 September 2023, and attendance at the one meeting held during 2023 is provided in the table below:

Member	Date appointed Committee member	Attendance at meetings during the year
Rani Koya	30 August 2023	1/1
Liv Monica Stubholt	30 August 2023	1/1
Mike Borrell	5 September 2023	1/1

Committee responsibilities

The main responsibilities of the Committee are to:
- Undertake in-depth analysis of specific risks, including emerging risks, in relation to the Group and consider existing and potential new controls;
- Support the implementation and progression of the Group's Risk Management Framework;
- Review the Group's HSEA performance and the effectiveness of its policies and guidelines in managing HSEA risks and reporting;
- Conduct detailed reviews of key non-financial risks not reviewed within the Audit Committee;
- Assess the Group's exposure to managing risks from climate change, sustainable business practice expectations, and the energy transition and review actions to mitigate these risks in line with its assessment of other risks;
- Review and monitor the Group's decarbonisation activities and emission reduction actions, including reviewing the adequacy of the associated framework and its alignment with the evolving regulatory environment;
- Review targets and milestones for the achievement of decarbonisation objectives;
- Review and monitor any material changes in reserves or changes in assumptions and/or forecasts and make appropriate Board recommendations;
- Review annually asset integrity matters within the Group; and
- Undertake such other specific actions as the Board may require in relation to technical, reserves, business development, HSE, risk and sustainability issues.

The Committee's full terms of reference can be found on the Group's website, www.enquest.com/investors/Corporate-Governance.

Committee activities during the year

Over the year, the Technical and Reserves Committee; Safety, Risk and Sustainability Committee; and the newly formed Sustainability Committee covered the following matters:
- Considered the impact of HSEA processes and culture and the Group's Risk Management Framework;
- Continued to refine the Group's Risk Management Framework and continuous improvement planning;
- Reviewed the Group Risk Register, assurance map and Risk Report (focusing on the most critical risks and emerging and changing risk profiles. This included obtaining assurance that the risks associated with climate change are appropriately assessed and incorporated within relevant risk areas);
- Undertook in-depth reviews of 'compliance with regulation, legislation and ethical conduct', 'IT security and resilience' and 'climate change risks', in each case identifying improvements to certain controls;
- Received routine updates on HSEA (including reviewing the Group's performance along with ongoing and planned HSEA activities), which continues to be a key focus area for the Committee;
- Received routine updates on the Group's emission reduction targets and strategy for further enhancing its contributions to the United Nations SDG 12;
- Received routine updates on the Group's reserves, business development efforts and business planning; and
- Received routine updates on the market opportunities to promote the Group's strategy.

For further information on these risks, please see the Risks and uncertainties section on pages 46 to 64.

Priorities for the coming year

In 2024, the Committee will continue to focus on detailed analysis of key risk areas, including those relating to the Group's activity on technical and reserves matters and safety, sustainability and risk in support of its strategic purpose to provide creative solutions through the energy transition.

Directors’ report

“The Directors of EnQuest present their Annual Report together with the Group and Company audited financial statements for the year ended 31 December 2023.”

Chris Sawyer
Company Secretary

Corporate governance statement
The Group’s corporate governance statement is set out on pages 84 to 91 and is incorporated into the Directors’ report by reference.

Directors
The biographical details of persons who served as Directors of the Company during the financial year ended 31 December 2023 are set out on pages 80 to 81. Michael Borrell, Rosalind Kainyah and Jonathan Copus will stand for election at the Annual General Meeting (‘AGM’) on 30 May 2024, with the other Directors offering themselves for re-election.

Directors’ indemnity provisions
Under the Company’s Articles, the Directors of the Company may be indemnified out of the assets of the Company against certain costs, charges, expenses, losses or liabilities which may be sustained or incurred in or about the execution of their duties. Such qualifying third-party indemnity provisions were in force during the financial year ended 31 December 2023 and remain in force as at the date of approving the Directors’ report. Former Directors also received indemnities for the period for which they were Directors of the Company. Such indemnities are in a form consistent with the limitations imposed by law.

Substantial interests in shares
The table below shows the holdings in the Company’s issued share capital, which had been notified to the Company in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules (‘DTR’):

Name	Number of Ordinary shares held at 31 December 2023	% of issued share capital held at 31 December 2023[2]	Number of Ordinary shares held as at 27 March 2024[3]	% of issued share capital held as at 7 March 2024[3]
Bseisu consolidated interests[1]	234,732,857	12.27	234,732,857	12.25
Aberforth Partners LLP	153,772,216	8.04	153,772,216	8.03
Hargreaves Lansdown Asset Management	98,766,289	5.16	97,212,807	5.07
Cobas Asset Management	98,303,830	5.14	121,410,900	6.34
BlackRock Inc	75,603,519	3.95	56,406,167	2.95
Baillie Gifford & Co Ltd	74,008,480	3.87	72,963,091	3.81
Avanza Bank AB	66,137,102	3.46	64,217,101	3.35
Schroder Investment Management Ltd	64,104,521	3.35	64,854,521	3.39
Dimensional Fund Advisors	59,272,582	3.10	59,375,044	3.10

Notes:
1 201,881,058 shares are held by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu. 32,674,840 shares are also held by The Amjad and Suha Bseisu Foundation and 176,959 shares are held directly by Amjad Bseisu
2 Rounding applies
3 In February 2024, the share capital of the Company was increased (see page 121)

Directors’ interests
The interests of the Directors and their connected persons in the Ordinary shares of the Company, which are unchanged between 31 December 2023 and 27 March 2024, are shown below:

Name	At 31 December 2023	**At 27 March 2024**
Amjad Bseisu[1]	234,732,857	**234,732,857**
Gareth Penny[2]	137,047	**137,047**
Michael Borrell	–	**–**
Farina Khan	211,235	**211,235**
Rani Koya	–	**–**
Salman Malik	565,705	**565,705**
Liv Monica Stubholt	–	**–**

Note:
1 201,881,058 shares are held by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu. 32,674,840 shares are also held by The Amjad and Suha Bseisu Foundation and 176,959 shares are held directly by Amjad Bseisu
2 62,500 shares are held by Gareth Penny, and 74,547 shares are held by his wife, Kate Penny

Share capital
The Company’s share capital during the year consisted of Ordinary shares of £0.05 each (‘Ordinary shares’). Each Ordinary share carries one vote. At the start of 2023, there were 1,885,924,339 Ordinary shares in issue. In December 2023 26,379,774 shares were issued at par to the Employee Benefit Trust (‘EBT’), resulting in a total of 1,912,304,113 Ordinary shares in issue at the year end. 3,620,226 shares have been issued subsequent to the year end. All of the Company’s issued Ordinary shares have been fully paid up. Further information regarding the rights attaching to the Company’s Ordinary shares can be found in note 20 to the financial statements on page 170. No person has any special rights with respect to control of the Company.

The Company’s Ordinary shares are listed on the London Stock Exchange. At the start of 2023, Ordinary shares were also listed on Nasdaq Stockholm. However, on 5 September 2023 the Company announced its intention to delist the Ordinary shares from Nasdaq Stockholm and this process was formally completed on 19 December 2023.

The Company was authorised by shareholders at the 2023 AGM to purchase its own Ordinary shares in the market of up to a limit of 10% of its issued share capital, subject to certain conditions laid out in the authorising resolution. The Company did not purchase any of its own shares during 2023 or up to and including 27 March 2024, being the date of this Directors’ report. At the 2024 AGM, shareholders will be asked to renew authorities relating to the issue and purchase of Company shares. Details of the resolutions are contained in the Notice of AGM, which can be found on the Company’s website at www.enquest.com/shareholder-information/annual-general-meetings.

Company share schemes
The trustees of the EBT subscribed for 43,905,387 Ordinary shares in the Company at par during 2023. At year end, the EBT held 1.41% of the issued share capital of the Company (2022: 1.36%) for the benefit of employees and their dependants. The voting rights in relation to these shares are exercised by the trustees. Subsequent to the year end, the EBT was allotted a further 3,620,226 shares.

Employee engagement
Employees are informed about significant business issues and other matters of concern via country-level Town Hall meetings, Global Town Hall meetings (whereby staff in all geographic locations are invited to attend), email and other in-person and electronic communications, particularly the Company’s intranet and internal ‘Viva Engage’ channel.

Face-to-face briefing meetings are used along with virtual communications to ensure all employees have the opportunity to participate. Appropriate consultations take place with employees when business change is undertaken.

Gareth Penny replaced Rani Koya as Designated Director for Employee Engagement during the year. During his time as Designated Director, Gareth has met staff in Aberdeen and London offices and has had discussions with Employee Forum representatives across the organisation. As a Designated Director, Gareth has the responsibility to ensure the Board gets a clear understanding of the views of employees in accordance with the requirement of the Corporate Governance Code. Further details are given on page 84.

EnQuest offers employees the opportunity to participate directly in the success of the Company through participation in share schemes, such as the Save As You Earn (‘SAYE’) Share Scheme. 52.6% of eligible employees currently participate in 2023 SAYE. Eligibility for participation in other share schemes depends on a number of factors, such as seniority within the Company.

Articles of Association
The Company’s Articles of Association may only be amended by special resolution at a General Meeting of shareholders. The Company’s Articles, found on the Company’s website at www.enquest.com/corporate-governance, contain provisions on the appointment, retirement and removal of Directors, along with their powers and duties.

The Company only has Ordinary shares in issue. In accordance with the Company’s Articles, any share in the Company may be issued with such rights (including preferred, deferred or other special rights) or such restrictions whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or in the absence of such determination, as the Directors may determine). There are no specific rights or obligations attaching to the Ordinary shares and there are no restrictions on the transfer of shares.

Annual General Meeting

The Company's AGM will be held at Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW United Kingdom on 30 May 2024. Formal notice of the AGM, including details of special business, is set out in the Notice of AGM which accompanies this Annual Report. It will be available on the Group's website at www.enquest.com/shareholder-information/annual-general-meetings.

Registrars

The Company's Ordinary shares are traded on the London Stock Exchange. The Company's share registrar is Link Asset Services, details of which can be found in the Company information section on the inside back cover of the Annual Report. Shares that were traded on Nasdaq Stockholm and not transferred to London are no longer tradeable.

Political donations

At the 2023 AGM, a resolution was passed giving the Company authority to make political donations and/or incur political expenditure as defined in Sections 362 to 379 of the Companies Act 2006. Although the Company does not make and does not intend to make political donations or to incur political expenditure, the legislation is very broadly drafted and may catch such activities as funding seminars or functions to which politicians are invited, or may extend to bodies concerned with policy review, law reform and representation of the business community that the Company and its subsidiaries might wish to support.

No political donations were made in 2023 by the Company, or any of its subsidiaries (2022: no donations).

Dividends

The Company has not declared or paid any dividends since incorporation. However, the Board of Directors are proposing making an up to $15.0 million share buy-back, to be executed during 2024. This distribution will be below the limit granted at the 2023 AGM allowing the Company to purchase up to 10% of its issued Ordinary share capital in the market. Any future shareholder distributions will be reviewed in the context of the Company's expected future cash flows and the Board's aims of preserving a balanced programme of value-led and growth-focused organic and inorganic investment. Future distributions remain subject to the earnings and financial condition of the Company meeting the conditions for shareholder distributions which the Company has agreed with its lenders and such other factors as the Board of Directors of the Company consider appropriate.

Change of control agreements

The Company (or other members of the Group) are not party to any significant agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid, except in respect of:

(a) the senior facility agreement, which includes provisions that, upon a change of control, permit each lender not to provide certain funding under that facility and to cancel its commitment to provide that facility and to require repayment of the credit which may already have been advanced to the Company and the other borrowers under the facility;
(b) the term loan facility agreement, which includes provisions that, upon a change of control, permit each lender not to provide certain funding under that facility and to cancel its commitment to provide that facility and to require repayment of the credit which may already have been advanced to the borrower (EnQuest Heather Limited) under the facility;
(c) the deeds of indemnity, originally dated 10 June 2021 (as amended and restated on 28 February 2023), pursuant to which the sureties have agreed to consider requests to issue, procure or participate in surety bonds, each include provisions that, upon a change of control, permit each surety to require the indemnitors to provide cash cover in respect of the liability assumed by the sureties (and costs and fees of the sureties) in relation to the Company and the other indemnitors under the deeds;
(d) the indenture governing the Company's high yield notes originally due 2027, which at the date of this report have an aggregate nominal amount of approximately $305.0 million, under which if the Company undergoes certain events defined as constituting a change of control, each holder of the high yield notes may require the Company to repurchase all or a portion of its notes at 101% of their principal amount, plus any accrued and unpaid interest.

Directors' statement of disclosure of information to auditor

The Directors in office at the date of the approval of this Directors' report have each confirmed that, so far as they are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each of the Directors has taken all the steps he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Responsibility statements under the DTR

The Directors who held office at the date of the approval of the Directors' report confirm that, to the best of their knowledge, the financial statements, prepared in accordance with UK-adopted IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and the Directors' report, Operating review and Financial review, which together constitute the management report (for the purposes of DTR 4.1.8R), include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Independent auditor

Having reviewed the independence and effectiveness of the auditor, the Audit Committee has recommended to the Board that the existing auditor, Deloitte, be reappointed. Deloitte has expressed its willingness to continue as auditor. An ordinary resolution to reappoint Deloitte as auditor of the Company and authorising the Directors to set its remuneration will be proposed at the forthcoming AGM. Information on the Company's policy on audit tendering and rotation is on page 98.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report on pages 02 to 78. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in the Financial review on pages 26 to 30. The Board's assessment of going concern and viability for the Group is set out on pages 30 and 31. In addition, note 28 to the financial statements on page 178 includes: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Greenhouse gas ('GHG') emissions

EnQuest has reported on all of the emission sources within its operational control required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. These sources fall within the EnQuest consolidated financial statements. EnQuest has used the principles of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), ISO 14064-1 and data gathered to fulfil the requirements under the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019'. The Streamlined Energy & Carbon Reporting ('SECR') report includes assets which are in the operational control of EnQuest.

Emissions		2023 SECR	2022[5, 6] SECR	2018 baseline
	Total emissions tCO_2e[2]	1,042,610	1,051,869	1,704,893
Scope 1	Extraction emissions tCO_2e[2]	894,844	949,275	1,562,507
Scope 2	Extraction emissions tCO_2e[2]	679	796	1,515
Scope 3	Extraction emissions tCO_2e[2]	567	N/A	N/A
	Extraction intensity ratio $kgCO_2e$/Boe[2]	44.70	45.01	47.54
Scope 1	Terminal (SVT) emissions tCO_2e[2, 3]	72,229	29,794	54,859
Scope 2	Terminal (SVT) emissions tCO_2e[2, 3]	74,113	72,003	86,011
Scope 3	Terminal (SVT) emissions tCO_2e[2, 3]	177	N/A	N/A
	Terminal (SVT) intensity ratio $kgCO_2e$/Boe[8] throughput[2,3]	3.42	2.28	4.65

Energy Consumption[4]		2023 SECR	2022 SECR
	Total kWh	4,353,231,637	4,455,083,433
Scope 1	Extraction kWh	3,678,072,239	3,924,133,320
Scope 2	Extraction kWh	1,855,745	2,548,727
Scope 3	Extraction kWh	0	N/A
	Extraction intensity ratio kWh/Boe[2]	183.67	186.04
Scope 1	Terminal (SVT) kWh[2, 3]	270,349,367	116,158,249
Scope 2	Terminal (SVT) kWh[2, 3]	402,954,286	412,243,137
Scope 3	Terminal (SVT) kWh[2, 3]	0	N/A
	Terminal (SVT) intensity ratio kWh/Boe8 throughput[2,3]	15.72	11.84

UK and Overseas Breakdown		2023 SECR (operational control) scope	2022 SECR (operational control) scope
Scope 1	UK onshore tCO_2e	72,242	29,823
	UK offshore tCO_2e	618,587	637,070
	Non-UK tCO_2e	276,243	312,176
Scope 2	UK onshore tCO_2e	74,377	72,384
	UK offshore tCO_2e	0	0
	Non-UK tCO_2e	416	416
Scope 3	UK onshore tCO_2e	187	N/A
	UK offshore tCO_2e	453	N/A
	Non-UK tCO_2e	105	N/A
Scope 1	UK onshore kWh	270,417,800	116,302,182
	UK offshore kWh	2,488,418,862	2,599,376,955
	Non-UK kWh	1,189,584,945	1,324,612,431
Scope 2	UK onshore kWh	404,226,950	414,208,783
	UK offshore kWh	0	0
	Non-UK kWh	583,081	583,081
Scope 3	UK onshore kWh	0	N/A
	UK offshore kWh	0	N/A
	Non-UK kWh	0	N/A

Notes:
1 When it is considered that the portfolio of assets under a company's operational control has changed significantly, the baseline, which is based on verified scope data, is recalculated to an appropriate comparative period for which good data is available. As such, the baseline is currently 2018
2 tCO_2e = tonnes of CO_2 equivalent. $kgCO_2e$ = kilogrammes of CO_2 equivalent. Boe = barrel of oil equivalent. EnQuest is required to report the aggregate gross (100%) emissions for those assets over which it has operational control. As such, the extraction intensity ratio is calculated by taking the aggregate gross (100%) reported Scope 1 and 2 $kgCO_2e$ from those assets divided by the aggregate gross (100%) hydrocarbon production from the same assets. The throughput ratio is calculated by taking the aggregate gross (100%) reported Scope 1 and 2 $kgCO_2e$ from SVT divided by the aggregate total throughput at the terminal
3 Note on uncertainty: The uncertainty for total emissions within the verified scope is calculated as 3.01%. SVT emissions in isolation are not within 5% due to the steam and electricity meters for SVT not having supportable uncertainties
4 Kilo-watt hour (kWh) data is reported on a net calorific value basis throughout
5 Scope 3 emission Category 5 'waste generated in operations' is reported for the first time in 2023. Prior year data is unavailable
6 2022 was the first year that the PM8/Seligi (Malaysian) asset was included within the verified scope due to availability of supportable metering uncertainty documentation. The 2018 baseline figures in the tables above are quoted for all assets in the operational control of EnQuest but it is declared for transparency that the PM8/Seligi asset contribution was not verified for the 2018 baseline
7 Scope 3 emission Category 5 'waste generated in operations' is reported for the first time in 2023. As this is a waste category, there is no associated kWh measure.
8 Intensity ratios are calculated against Scope 1 and Scope 2 emissions only and, as such, exclude Scope 3 emissions

Directors' report continued

Energy efficiency strategy

EnQuest recognises that industry, alongside other key stakeholders such as governments, regulators and consumers, must contribute to reducing the impact on climate change of carbon-related emissions. The Group is committed to playing its part in the achievement of national emission reduction targets and the drive to net zero. EnQuest aims to reduce emissions generated through its operations by utilising a detailed project delivery process. The status of emission reduction opportunities and projects is discussed at regular Emissions Reduction Workshops and reviewed at Board level via the Sustainability Committee. Emission reduction projects managed through this established process include compressor re-mapping at the Greater Kittiwake Area, the commissioning of waste heat recovery units on Kraken and the delivery of both a flare purge reduction and a flare passing valve replacement programme on Magnus. In the longer term, Veri Energy, EnQuest's wholly owned subsidiary, is developing cost-effective and efficient plans to repurpose the terminal site and connected offshore infrastructure to fulfil its ambition of creating a new energy and decarbonisation hub at the Sullom Voe Terminal ('SVT').

SECR (operational control) scope

EnQuest has a number of financial interests (for example, joint ventures and joint investments), as covered in this Annual Report for which it does not have operational control. In line with SECR and ISO 14064-1 guidance, only those assets where EnQuest has operational control greater than 50% are captured within the SECR reporting boundary. Where EnQuest has less than 50% operational control of an asset, it is not included within the SECR reporting boundary. Hence, the SECR operational control boundary is different to EnQuest's financial boundary. In line with SECR guidance, this is fully disclosed.

ISO-14064 verified scope

EnQuest has voluntarily opted to have emissions reported within the SECR scope verified to the internationally recognised ISO 14064-1 standard by a UKAS accredited verification body. This increases the robustness of the reported emissions and provides the reader with more confidence in the stated figures. This goes beyond the minimum requirements of the SECR guidance.

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CARBON FOOTPRINT

Further disclosures

The Company has set out disclosures in the Strategic report in accordance with Section 414C(11) of the Companies Act (2006) – information required by Schedule 7 to the Accounting Regulations to be contained in the Directors' report. These disclosures and any further disclosure requirements as required by the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, The Companies (Miscellaneous Reporting) Regulations 2018 and the FCA's Listing Rules and DTR are found on the following pages of the Company's Annual Report and are incorporated into the Directors' report by reference:

Disclosure	Page number
Future developments	06-13
Acquisitions and disposals	19, 28
Fair treatment of disabled employees	43
Anti-slavery disclosure	65
Corporate governance statement	84-91
Gender diversity	43, 91
Financial risk and financial instruments	178
Important events subsequent to year end	n/a
Branches outside of the UK	29
s.172 statement and stakeholder engagement	76-77
Research and development	n/a
Related party transactions	27

The Directors' report was approved by the Board and signed on its behalf by the Company Secretary on 27 March 2024.

Chris Sawyer
Company Secretary

Statement of Directors' Responsibilities for the Group Financial Statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under International Financial Reporting Standards ('IFRS') as adopted by the UK.

Under Company law, the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements, International Accounting Standard 1 ('IAS') requires that the Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Strategic Report, Directors' report, the Directors' Remuneration Report and the Corporate governance statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

Fair, balanced and understandable

In accordance with the principles of the UK Corporate Governance Code, the Directors are responsible for establishing arrangements to evaluate whether the information presented in the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and making a statement to that effect. This statement is set out on page 93 of the Annual Report.

Independent auditor's report
to the members of EnQuest PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:
- the financial statements of EnQuest PLC (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted International Financial Reporting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the Group Income Statement;
- the Group Balance Sheet;
- the Group Statement of Changes in Equity;
- the Group Statement of Cash Flows;
- the related notes 1 to 31 to the Group Financial Statements;
- the Company Balance Sheet;
- the Company Statement of Changes in Equity; and
- the related notes 1 to 14 to the Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted International Financial Reporting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 5g to the group financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of oil and gas related assets and liabilities • Valuation of decommissioning liability Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was $23m which was determined on the basis of 2.8% of adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, remeasurements and exceptional items).
Scoping	EnQuest PLC has two components, being the North Sea and Malaysia. They account for 100% of the group's revenue, 100% of its adjusted EBITDA and 100% of its net assets.
Significant changes in our approach	There were no significant changes in our approach compared to the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:
- assessing the reasonableness of the assumptions used in the cash flow forecasts, in particular commodity prices, production levels and cash costs;
- assessing the historical accuracy of forecasts prepared by management;
- assessing the financing facilities throughout the going concern period, including repayment terms and financial covenants;
- considering the levels of cash and covenant headroom throughout the going concern period, including sensitivity analysis and reverse stress testing;
- assessing the mathematical accuracy of the forecasts and the going concern model, involving our modelling specialists; and
- assessing the appropriateness of the group's and parent company's going concern related financial statement disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of oil and gas related assets and liabilities

Key audit matter description

Management is required to assess the carrying value of oil and gas related assets and liabilities, in line with the relevant accounting standard, at each balance sheet date. In order to appropriately value these assets and liabilities, management is required to forecast future cash flows. These forecast cash flows are used consistently across the:
- Impairment assessment of oil and gas assets;
- Impairment assessment of goodwill;
- Impairment assessment of the parent company investments;
- Valuation of Magnus contingent consideration; and
- Valuation of the deferred tax asset.

The forecast future cash flows contain a high level of management judgment and estimation, particularly in relation to the following significant assumptions:
- Forecast commodity prices;
- Discount rate applied; and
- Reserve estimates and production profiles.

In addition to the above, the assumed cost savings on the Kraken CGU as a result of alternative fuel sources was a key judgment during the year.

Commodity prices, reserve estimates and production profiles are also impacted by climate-related risks, which increases the level of estimation uncertainty.

Given the level of management judgment and estimation applied in determining the recoverable value of the oil and gas related assets and liabilities, including estimation uncertainty within the significant assumptions outlined above, we consider this to be a key audit matter related to the potential risk of fraud.

Impairment assessment of oil and gas assets, goodwill and parent company investments
Management performed an impairment assessment for oil and gas assets and goodwill carrying value, by reference to IAS 36 Impairment of Assets. As at 31 December 2023, the net book value of oil and gas assets was $1,880 million (2022: $2,037 million) and management have recorded a pre-tax impairment of $117 million (2022: $81 million) against certain oil and gas assets, including related right of use assets, as disclosed in note 10.

As at 31 December 2023, the net book value of goodwill was $134 million (2022: $134 million). No goodwill impairment charge has been recorded in 2023 (2022: nil), as disclosed in note 11.

Management also performed an assessment of the carrying values of the parent company's investment in subsidiaries by reference to IAS36 Impairment of Assets and IFRS9 Financial Instruments. As at 31 December 2023, the net book value of investments recognised in the parent company balance sheet was $300 million (2022: $370 million) and management have recorded an impairment of $74 million (2022: $31 million impairment), as disclosed in note 3 to the parent company financial statements.

Valuation of Magnus contingent consideration
The valuation of Magnus contingent consideration was $488 million (2022: $567 million) as at 31 December 2023, based on the estimated future cash flows for the Magnus oil and gas asset, as disclosed in note 22.

Valuation of the deferred tax asset
As at 31 December 2023, a deferred tax asset of $540m (2022: $706m) was recognised, based on the expected utilisation of historical tax losses, underpinned by forecasts of future profitability. The forecast cash flows used to value the deferred tax asset are consistent with the cash flows used for impairment purposes. Further details on the deferred tax asset are disclosed in note 7(c).

Given the interrelated nature of the key areas noted above, management have applied consistent assumptions across all of these valuations where appropriate. Further details on this matter have been disclosed in the audit committee report on page 95 and 96.

5.1. Valuation of oil and gas related assets and liabilities continued

How the scope of our audit responded to the key audit matter

Our procedures comprised the following:

Procedures on internal controls and valuation models
- obtaining an understanding of relevant controls over management's process for identifying indicators of impairment and for performing their impairment assessment and related valuations;
- assessing management's forecasting accuracy through a retrospective review of previous forecasts;
- assessing whether forecast cash flows were consistent with board approved forecasts and budgets, and forecasts used elsewhere, including for going concern and viability purposes;
- challenging the reasonableness of the operating and capital cost assumptions within the models;
- assessing, with input from our tax specialists, whether the models appropriately incorporate tax cash flows, including the Energy Profits Levy;
- working with our modelling specialists to evaluate the arithmetical accuracy of the models;
- challenging management's determination of oil and gas cash generating units for impairment purposes, in comparison to the requirements of IAS36;
- assessing the reasonableness of the various valuations on an aggregate basis, as part of our stand-back procedures;
- evaluating compliance with the relevant accounting standards, including IAS12 Income taxes, IAS36 Impairment of assets and IFRS13 Fair Value Measurements; and
- evaluating the adequacy of management's disclosures in relation to impairment and related valuations, including related sensitivity analysis and climate-related disclosures.

Procedures related to the key assumptions used for valuation purposes
Our procedures related to the key assumptions in this key audit matter are:

Forecast commodity prices
- assessing the appropriateness of management's forecast commodity prices, through benchmarking against forward curves, peer information and market data;
- performing sensitivity analysis on the pricing assumptions to determine the impact on the valuation conclusions of reasonably possible changes; and
- evaluating whether management's pricing assumptions have adequately considered the impact of lower oil and gas demand due to climate change.

Discount rate
- evaluating, with input from our valuations specialists, the group's discount rates used in impairment tests and valuations; and
- assessing whether country risks and tax adjustments are appropriately reflected in the group's discount rate.

Reserves estimates and production profiles
- comparing management's reserves estimate and production profile to those of their management's independent reserves expert;
- assessing the technical competence, capabilities and objectivity of management's internal and external experts;
- evaluating, with involvement from our oil and gas reserves specialist, the reasonableness of reserves estimates and production profiles; and
- working with our oil and gas reserves specialist to challenge management on significant changes in the reserves estimates and production profiles.

Kraken cost savings
- We challenged management on the inclusion of the assumed cost savings on Kraken as a result of alternative fuel sources, with reference to available external evidence.

Key observations

We are satisfied with management's conclusions in respect of the valuation of oil and gas related assets and liabilities, including the related impairment charges.

In reaching this conclusion, we observed that:
- Future commodity price assumptions are within our acceptable range;
- Impairment discount rates were within our acceptable range, calculated by our valuations specialist;
- Reserves estimates and production profiles were concluded as reasonable, based on estimates from management's reserves expert;
- The carrying value of the oil and gas assets and goodwill, including the related impairment charge, is reasonable;
- The carrying value of the investment in subsidiaries, including the related impairment charge, is reasonable;
- The carrying value of the Magnus contingent consideration is reasonable; and
- The deferred tax asset recognition is appropriate and the carrying value is a reasonable estimate.

5.2. Valuation of decommissioning liability

Key audit matter description	The group is required by law to decommission the oil and gas assets and associated infrastructure at the end of their operating life. An estimate of the future cost of decommissioning is required to be provided for in accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets. The decommissioning provision at 31 December 2023 is $781 million (2022: $724 million). The provision represents the present value of decommissioning costs which are expected to be incurred during the decommissioning period, which is assumed to run to 2048, assuming no further development of the group's assets. Further details on the key sources of estimation uncertainty underpinning the valuation of decommissioning provisions can be found in note 2. This key audit matter is considered to be a risk due to fraud. Decommissioning liabilities are inherently judgemental areas, particularly in relation to cost estimates and the related assumptions. The key management estimates containing the most estimation uncertainty, and therefore the focus of our key audit matter, are: • internal well cost estimates included in the decommissioning model; and • internal cost reduction factors applied to the gross decommissioning cost estimates to reflect anticipated cost savings. The Group's Audit Committee has considered this key audit matter in their Audit Committee Report for the year ended 31 December 2023 on page 96. Further detail on decommissioning provisions is included in note 23.
How the scope of our audit responded to the key audit matter	Our procedures comprised the following: **Procedures on internal controls and the decommissioning model** • obtaining an understanding of the relevant controls relating to the decommissioning provision; • assessing the technical competence, capabilities and objectivity of management's internal and external experts; • assessing the decommissioning provision for compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; • working with our modelling specialists to evaluate the arithmetical accuracy of the decommissioning model; • assessing available benchmarking reports for indications of developments in industry practice in light of climate change goals; • testing a sample of actual decommissioning spend incurred during the period, by agreeing to invoices and payments from bank statements; • assessing the historical forecasting accuracy of management for decommissioning expenditure, by comparing actual spend with historical estimates; • re-calculating the closing decommissioning provision from the gross decommissioning cost estimate, and agreeing this to the group's financial records; and • evaluating the adequacy of management's disclosures, including the key sources of estimation uncertainty and associated sensitivity analysis of decommissioning assumptions. **Procedures on cost estimates and related assumptions** ***Internal well cost estimates*** • challenging the group's assumptions within the cost estimate by referencing to available third-party data and benchmarking to peer and market rates; and • assessing the assumed durations for plug and abandonment of wells, by comparison to available benchmarking data and potential contradictory evidence available from active decommissioning projects or operator estimates. ***Internal cost reduction factors*** • challenging the group's cost reduction factors applied to the decommissioning model, through comparison with available evidence for the factors applied; • benchmarking cost reduction factors to peers and other applicable sources; and • considering potentially contradictory evidence from actual decommissioning spend, changes in market rates and industry publications.
Key observations	• The key assumptions within the well cost estimates are reasonable; • Cost reduction factors are reasonable, albeit considered to be towards the optimistic end of an acceptable range; • We are satisfied that the group's decommissioning provision is prepared in accordance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and • We are satisfied the disclosures in the financial statements are adequate.

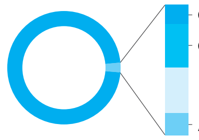
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	$23 million (2022: $30 million)	$11.4m (2022: $12.7 million)
Basis for determining materiality	2.8% of adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, remeasurements and exceptional items) (2022: 3% of adjusted EBITDA). Management have presented a reconciliation of $825 million adjusted EBITDA to profit from operations before tax and interest in the glossary to the financial statements on page 193.	3% of net assets (2022: 3% of net assets)
Rationale for the benchmark applied	Adjusted EBITDA was considered to be the most relevant benchmark as it is a key performance measure used by the group and by investors. It represents a consistent profit measure used widely by stakeholders.	The parent company acts principally as a holding company and therefore net assets is a key measure for this business.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2022: 70%) of group materiality	70% (2022: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • the quality of the control environment and whether we were able to rely on controls; • the nature, volume and size of corrected and uncorrected misstatements identified in the previous audit; • macro-economic factors such as commodity price volatility and geo-political instability; and • management's willingness to correct errors identified in the prior year and current year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $1.15m (2022: $1.5m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. In the current year we performed full scope audit procedures on the North Sea and Malaysia components. Audit procedures were performed by the group audit team for the North Sea component and by the Malaysia component team for the Malaysia component.

The materiality applied for the Malaysia component was $11.5 million (2022: $15.0 million). The materiality applied for the North Sea component was $20.6 million (2022: $27.0 million).

The North Sea and Malaysia components, where we performed full scope audit procedures, accounted for 100% of the group's revenue, 100% of the group's adjusted EBITDA and 100% of the group's net assets, consistent with the prior year.

7.2. Our consideration of the control environment

We obtained an understanding of the relevant controls in relation to key business processes as well as IT systems that were relevant to the audit, being the financial reporting system. We worked with our IT specialists to test the operating effectiveness of the general IT control environment. Weaknesses were identified and as a result of this we were unable to place reliance on the general IT controls. Where appropriate, we adapted our audit procedures in response.

7.3. Our consideration of climate-related risks

We performed enquiries of management to understand the impact of climate-related risks and controls relevant to the group. We performed a review of the climate change risk assessment and related documentation prepared by management and considered the completeness and accuracy of the climate-related risks identified and summarised in the Task Force on Climate-related Financial Disclosures report on page 66 and 75.

As disclosed in note 2, management identified key judgements and estimates with elevated climate-related risk, relating to impairment of oil and gas assets, valuation of contingent consideration, valuation of the decommissioning provision, valuation of deferred tax assets, and estimation of oil and gas reserves.

We considered whether the risks identified by management within their climate change risk assessment and related documentation are complete and challenged assumptions impacting the financial statements. The key piece of climate-related regulation enacted to date and impacting the group continues to relate to carbon costs and emission allowances. The key market-related matter which could have a material impact on the valuation of the items noted above is in respect of future demand for, and pricing of, oil and gas as the energy mix evolves in response to climate change risk and other matters. There continues to be a physical climate-related risk relating to the early cessation of production of oil and gas assets, which would impact all of the judgments and estimates outlined above. This is disclosed in the annual report on page 69.

We performed a review of the climate disclosures within the Annual Report, including the climate-related financial disclosures referred to on page 66 to 75, with the involvement of our climate specialists. We considered whether these were materially consistent with the financial disclosures and consistent with our understanding of the climate-related risks, assumptions and judgements during the year. Both of our key audit matters are considered to contain climate-related risks, being the risks to commodity prices and cessation of production, which could have a material impact on the valuation of oil and gas related assets and liabilities and valuation of the decommissioning provision. The procedures performed for these key audit matters are discussed in detail in the key audit matters section above.

7.4. Working with other auditors

We engaged Deloitte Malaysia as our component auditor, directed and supervised by the group engagement team in the UK. Detailed referral instructions were sent to the component audit team as part of planning procedures.

The group engagement team directed and supervised the component team throughout the year via attendance at planning meetings, regular communication between the teams and attendance at closing meetings. The group engagement team reviewed and challenged the reporting deliverables and audit file as part of concluding procedures.

We are satisfied that the level of involvement of the lead audit partner and team in the component audit has been appropriate and has enabled us to conclude that sufficient appropriate audit evidence has been obtained in support of our opinion on the group financial statements as a whole.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www. frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur, either as a result of fraud or error, that was approved by the board;
- results of our enquiries of management, internal audit, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team including the component audit team and relevant internal specialists, including tax, valuations, IT, modelling and oil and gas reserves specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- valuation of oil and gas related assets and liabilities;
- valuation of decommissioning provision; and
- crude oil revenue recognition.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006 and the Listing Rules of the UK Listing Authority and the relevant tax compliance regulations in the jurisdictions in which the group operates.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements, but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included environmental laws and regulations in the countries in which the group operates.

11.2. Audit response to risks identified
As a result of performing the above, we identified the valuation of oil and gas related assets and liabilities and the valuation of the decommissioning provision as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant authorities;
- in addressing the risk of fraud in revenue recognition associated with the cut-off of crude oil sales, we tested a sample of invoices from a population of December 2023 and January 2024 sales; and
- in addressing the risk of fraud through management override of controls: testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists and the component audit team, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit: :
- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 29 and 30;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 29 and 30;
- the directors' statement on fair, balanced and understandable set out on page 93;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 46 to 64;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 97; and
- the section describing the work of the audit committee set out on pages 92 and 93.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by shareholders on 21 May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ended 31 December 2020 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

James Leigh FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

London, United Kingdom

27 March 2024

Group Income Statement
For the year ended 31 December 2023

	Notes	2023 Business performance $'000	2023 Remeasurements and exceptional items (note 4) $'000	2023 Reported in year $'000	2022 Business performance $'000	2022 Remeasurements and exceptional items (note 4) $'000	2022 Reported in year $'000
Revenue and other operating income	5(a)	**1,458,956**	**28,463**	**1,487,419**	1,839,147	14,475	1,853,622
Cost of sales	5(b)	**(941,102)**	**(5,650)**	**(946,752)**	(1,195,806)	(4,900)	(1,200,706)
Gross profit/(loss)		**517,854**	**22,813**	**540,667**	643,341	9,575	652,916
Net impairment (charge)/ reversal to oil and gas assets	4,10	**–**	**(117,396)**	**(117,396)**	–	(81,049)	(81,049)
General and administration expenses	5(c)	**(6,348)**	**–**	**(6,348)**	(7,553)	–	(7,553)
Other income	5(d)	**17,897**	**78,984**	**96,881**	76,247	7,706	83,953
Other expenses	5(e)	**(46,846)**	**(10,731)**	**(57,577)**	(2,810)	(233,570)	(236,380)
Profit/(loss) from operations before tax and finance income/ (costs)		**482,557**	**(26,330)**	**456,227**	709,225	(297,338)	411,887
Finance costs	6	**(172,087)**	**(58,854)**	**(230,941)**	(176,227)	(36,410)	(212,637)
Finance income	6	**6,493**	**–**	**6,493**	1,816	2,148	3,964
Profit/(loss) before tax		**316,963**	**(85,184)**	**231,779**	534,814	(331,600)	203,214
Income tax	7	**(287,750)**	**25,138**	**(262,612)**	(322,468)	78,020	(244,448)
Profit/(loss) for the year attributable to owners of the parent		**29,213**	**(60,046)**	**(30,833)**	212,346	(253,580)	(41,234)
Total comprehensive profit/ (loss) for the year, attributable to owners of the parent				**(30,833)**			(41,234)

There is no comprehensive income attributable to the shareholders of the Group other than the profit/(loss) for the period. Revenue and operating profit/(loss) are all derived from continuing operations.

	Notes	2023 Business performance	2023 Reported in year	2022 Business performance	2022 Reported in year
Earnings per share	8	**$**	**$**	$	$
Basic		**0.016**	**(0.016)**	0.114	(0.022)
Diluted		**0.016**	**(0.016)**	0.112	(0.022)

The attached notes 1 to 31 form part of these Group financial statements.

Group Balance Sheet
At 31 December 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2,296,740**	2,476,975
Goodwill	11	**134,400**	134,400
Intangible assets	12	**18,323**	45,299
Deferred tax assets	7(c)	**540,122**	705,808
Other financial assets	19	**36,282**	6
		3,025,867	3,362,488
Current assets			
Intangible assets	12	**876**	1,199
Inventories	13	**84,797**	76,418
Trade and other receivables	16	**225,486**	276,363
Current tax receivable		**1,858**	1,491
Cash and cash equivalents	14	**313,572**	301,611
Other financial assets	19	**113,326**	4,705
		739,915	661,787
TOTAL ASSETS		**3,765,782**	4,024,275
EQUITY AND LIABILITIES			
Equity			
Share capital and premium	20	**393,831**	392,196
Share-based payments reserve		**13,195**	11,510
Retained earnings	20	**49,702**	80,535
TOTAL EQUITY		**456,728**	484,241
Non-current liabilities			
Borrowings	18	**283,867**	281,422
Bonds	18	**463,945**	452,386
Lease liabilities	24	**288,892**	362,966
Contingent consideration	22	**461,271**	513,677
Provisions	23	**715,436**	667,335
Deferred income	25	**138,416**	–
Trade and other payables	17	**32,917**	–
Deferred tax liabilities	7(c)	**77,643**	166,334
		2,462,387	2,444,120
Current liabilities			
Borrowings	18	**27,364**	131,936
Bonds	18	**–**	134,544
Lease liabilities	24	**133,282**	119,100
Contingent consideration	22	**46,525**	123,198
Provisions	23	**79,861**	70,335
Trade and other payables	17	**347,409**	426,647
Other financial liabilities	19	**26,679**	50,966
Current tax payable		**185,547**	39,188
		846,667	1,095,914
TOTAL LIABILITIES		**3,309,054**	3,540,034
TOTAL EQUITY AND LIABILITIES		**3,765,782**	4,024,275

The attached notes 1 to 31 form part of these Group financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2024 and signed on its behalf by:

Amjad Bseisu
Chief Executive Officer

Group Statement of Changes in Equity
For the year ended 31 December 2023

	Notes	Share capital and share premium $'000	Share-based payments reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2022		**392,196**	**6,791**	**121,769**	**520,756**
Loss for the year		–	–	(41,234)	(41,234)
Total comprehensive expense for the year		–	–	(41,234)	(41,234)
Share-based payment		–	4,719	–	4,719
Balance at 31 December 2022		**392,196**	**11,510**	**80,535**	**484,241**
Loss for the year		**–**	**–**	**(30,833)**	**(30,833)**
Total comprehensive expense for the year		**–**	**–**	**(30,833)**	**(30,833)**
Issue of shares to Employee Benefit Trust	20	**1,635**	**(1,635)**	**–**	**–**
Share-based payment	21	**–**	**3,320**	**–**	**3,320**
Balance at 31 December 2023		**393,831**	**13,195**	**49,702**	**456,728**

The attached notes 1 to 31 form part of these Group financial statements.

Group Statement of Cash Flows
For the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30	**854,746**	1,026,149
Cash received from insurance		**5,190**	15,015
Cash (paid)/received on purchase of financial instruments		**(5,795)**	(1,354)
Decommissioning spend		**(58,911)**	(58,964)
Income taxes paid		**(40,986)**	(49,293)
Net cash flows from/(used in) operating activities		**754,244**	931,553
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(141,741)**	(107,668)
Proceeds from farm-down	25	**141,360**	–
Vendor financing facility	25	**(141,360)**	–
Purchase of intangible oil and gas assets		**(10,467)**	(8,168)
Purchase of other intangible assets	12	**(876)**	(1,199)
Payment of Magnus contingent consideration – Profit share	22	**(65,506)**	(45,975)
Payment of Golden Eagle contingent consideration – Acquisition	22	**(50,000)**	–
Interest received		**5,895**	1,763
Net cash flows (used in)/from investing activities		**(262,695)**	(161,247)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		**190,657**	87,215
Repayment of loans and borrowings		**(427,736)**	(567,020)
Payment of obligations under financing leases	24	**(135,675)**	(147,971)
Interest paid		**(105,877)**	(103,387)
Net cash flows (used in)/from financing activities		**(478,631)**	(731,163)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**12,918**	39,143
Net foreign exchange on cash and cash equivalents		**(957)**	(24,193)
Cash and cash equivalents at 1 January		**301,611**	286,661
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**313,572**	301,611
Reconciliation of cash and cash equivalents			
Total cash at bank and in hand	14	**313,028**	293,866
Restricted cash	14	**544**	7,745
Cash and cash equivalents per balance sheet		**313,572**	301,611

The attached notes 1 to 31 form part of these Group financial statements.

Notes to the Group Financial Statements
For the year ended 31 December 2023

1. Corporate information
EnQuest PLC ('EnQuest' or the 'Company') is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales and listed on the London Stock Exchange. The address of the Company's registered office is shown on the inside back cover.

EnQuest PLC is the ultimate controlling party. The principal activities of the Company and its subsidiaries (together the 'Group') are to responsibly optimise production, leverage existing infrastructure, deliver a strong decommissioning performance and explore new energy and decarbonisation opportunities.

The Group's financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 27 March 2024.

A listing of the Group's companies is contained in note 29 to these Group financial statements.

2. Basis of preparation
The consolidated financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards ('IFRS') in conformity with the requirements of the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2023.

The Group financial information has been prepared on a historical cost basis, except for the fair value remeasurement of certain financial instruments, including derivatives and contingent consideration, as set out in the accounting policies. The presentation currency of the Group financial information is US Dollars ('$') and all values in the Group financial information are rounded to the nearest thousand ($'000) except where otherwise stated.

The Group's results on a UK-adopted International Financial Reporting Standards ('IFRS') basis are shown on the Group Income Statement as 'Reported in the year', being the sum of its Business performance results and its Remeasurements and exceptional items as permitted by IAS 1 (Revised) Presentation of Financial Statements. Remeasurements and exceptional items are items that management considers not to be part of underlying business performance and are disclosed separately in order to enable shareholders to understand better and evaluate the Group's reported financial performance. For further information see note 4.

Going concern
The financial statements have been prepared on the going concern basis.

In recent years, given the prevailing macroeconomic and fiscal environment, the Group has prioritised deleverage - reducing gross debt (excluding leases) by c.$1.4 billion since 2017 to $794.5 million at 31 December 2023. During 2023, EnQuest net debt was reduced by $236.2 million (to $480.9 million) and the Group strengthened its net debt to adjusted EBITDA ratio to 0.6x, close to EnQuest's target of 0.5x. In this 12-month period, cash and available facilities increased by $149.9 million, to $498.8 million at 31 December 2023, and medium-term liquidity is secured, with all the Group's debt maturities now in 2027.

Against this robust backdrop, EnQuest continues to closely monitor and manage its funding position and liquidity risk throughout the year, including monitoring forecast covenant results, to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced and sensitivities considered for, but not limited to, changes in crude oil prices (adjusted for hedging undertaken by the Group), production rates and costs. These forecasts and sensitivity analyses allow management to mitigate liquidity or covenant compliance risks in a timely manner.

The Group's latest approved business plan underpins management's base case ('Base Case') and is in line with the Group's production guidance using oil price assumptions of $80.0/bbl for 2024 and $75.0/bbl for 2025.

A reverse stress test has been performed on the Base Case indicating that an average oil price of c.$63.0/bbl over the going concern period maintains covenant compliance, reflecting the Group's strong liquidity position.

The Base Case has also been subjected to further testing through a scenario reflecting the impact of the following plausible downside risks (the 'Downside Case'):
- 10% discount to Base Case prices resulting in Downside Case prices of $72.0/bbl for 2024 and $67.5/bbl for 2025;
- Production risking of 5.0%; and
- 2.5% increase in operating, capital and decommissioning expenditure.

The Base Case and Downside Case indicate that the Group is able to operate as a going concern and remain covenant compliant for 12 months from the date of publication of its full-year results.

After making appropriate enquiries and assessing the progress against the forecast and projections, the Directors have a reasonable expectation that the Group will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

2. Basis of preparation continued
New standards and interpretations
The following new standards became applicable for the current reporting period. No material impact was recognised upon application:
- Insurance contracts (IFRS 17)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- International Tax reform – Pillar Two Model Rules (Amendments to IAS 12)

Standards issued but not yet effective
At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of EnQuest PLC and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Joint arrangements
Oil and gas operations are usually conducted by the Group as co-licensees in unincorporated joint operations with other companies. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the consent of the relevant parties sharing control. The joint operating agreement is the underlying contractual framework to the joint arrangement, which is historically referred to as the joint venture. The Annual Report and Accounts therefore refers to 'joint ventures' as a standard term used in the oil and gas industry, which is used interchangeably with joint operations.

Most of the Group's activities are conducted through joint operations, whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities relating to the arrangement. The Group recognises its share of assets, liabilities, income and expenses of the joint operation in the consolidated financial statements on a line-by-line basis. During 2023, the Group did not have any material interests in joint ventures or in associates as defined in IAS 28.

2. Basis of preparation continued

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The Group's financial statements are presented in US Dollars, the currency which the Group has elected to use as its presentation currency.

In the financial statements of the Company and its individual subsidiaries, transactions in currencies other than a company's functional currency are recorded at the prevailing rate of exchange on the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rate of exchange at the date the fair value was determined. All foreign exchange gains and losses are taken to profit and loss in the Group income statement.

Emissions liabilities

The Group operates in an energy intensive industry and is therefore required to partake in emission trading schemes ('ETS'). The Group recognises an emission liability in line with the production of emissions that give rise to the obligation. To the extent the liability is covered by allowances held, the liability is recognised at the cost of these allowances held and if insufficient allowances are held, the remaining uncovered portion is measured at the spot market price of allowances at the balance sheet date. The expense is presented within 'production costs' under 'cost of sales' and the accrual is presented in 'trade and other payables'. Any allowance purchased to settle the Group's liability is recognised on the balance sheet as an intangible asset. Both the emission allowances and the emission liability are derecognised upon settling the liability with the respective regulator.

Use of judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, at the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The accounting judgements and estimates that have a significant impact on the results of the Group are set out below and should be read in conjunction with the information provided in the Notes to the financial statements. The Group does not consider contingent consideration and deferred taxation (including EPL) to represent a significant estimate or judgement as the estimates and assumptions relating to projected earnings and cash flows used to assess contingent consideration and deferred taxation are the same as those applied in the Group impairment process as described below in *Recoverability of asset carrying values*. Judgements and estimates, not all of which are significant, made in assessing the impact of climate change and the transition to a lower carbon economy on the consolidated financial statements are also set out below. Where an estimate has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, this is specifically noted.

Climate change and energy transition

As covered in the Group's principal risks on oil and gas prices on page 52, the Group recognises that the energy transition is likely to impact the demand, and hence the future prices, of commodities such as oil and natural gas. This in turn may affect the recoverable amount of property, plant and equipment, and goodwill in the oil and gas industry. The Group acknowledges that there are a range of possible energy transition scenarios that may indicate different outcomes for oil prices. There are inherent limitations with scenario analysis and it is difficult to predict which, if any, of the scenarios might eventuate.

The Group has assessed the potential impacts of climate change and the transition to a lower carbon economy in preparing the consolidated financial statements, including the Group's current assumptions relating to demand for oil and natural gas and their impact on the Group's long-term price assumptions. See *Recoverability of asset carrying values*: *Oil prices*.

While the pace of transition to a lower carbon economy is uncertain, oil and natural gas demand is expected to remain a key element of the energy mix for many years based on stated policies, commitments and announced pledges to reduce emissions. Therefore, given the useful lives of the Group's current portfolio of oil and gas assets, a material adverse change is not expected to the carrying values of EnQuest's assets and liabilities within the next financial year as a result of climate change and the transition to a lower carbon economy.

Management will continue to review price assumptions as the energy transition progresses and this may result in impairment charges or reversals in the future.

2. Basis of preparation continued

Critical accounting judgements and key sources of estimation uncertainty

The Group has considered its critical accounting judgements and key sources of estimation uncertainty, and these are set out below.

Recoverability of asset carrying values

Judgements: The Group assesses each asset or cash-generating unit ('CGU') (excluding goodwill, which is assessed annually regardless of indicators) in each reporting period to determine whether any indication of impairment exists. Assessment of indicators of impairment or impairment reversal and the determination of the appropriate grouping of assets into a CGU or the appropriate grouping of CGUs for impairment purposes require significant management judgement. For example, individual oil and gas properties may form separate CGUs, whilst certain oil and gas properties with shared infrastructure may be grouped together to form a single CGU. Alternative groupings of assets or CGUs may result in a different outcome from impairment testing. See note 11 for details on how these groupings have been determined in relation to the impairment testing of goodwill.

Estimates: Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to dispose ('FVLCD') and value in use ('VIU'). The assessments require the use of estimates and assumptions, such as the effects of inflation and deflation on operating expenses, cost profile changes including those related to emission reduction initiatives such as alternative fuel provision at Kraken, discount rates, capital expenditure, production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for crude oil and natural gas. Such estimates reflect management's best estimate of the related cash flows based on management's plans for the assets and their future development.

As described above, the recoverable amount of an asset is the higher of its VIU and its FVLCD. When the recoverable amount is measured by reference to FVLCD, in the absence of quoted market prices or binding sale agreement, estimates are made regarding the present value of future post-tax cash flows. These estimates are made from the perspective of a market participant and include prices, life of field production profiles, operating costs, capital expenditure, decommissioning costs, tax attributes, risking factors applied to cash flows, and discount rates. Reserves and resources are included in the assessment of FVLCD to the extent that it is considered probable that a market participant would attribute value to them. Details of impairment charges and reversals recognised in the income statement and details on the carrying amounts of assets are shown in note 10, note 11 and note 12.

The estimates for assumptions made in impairment tests in 2023 relating to discount rates and oil prices are discussed below. Changes in the economic environment or other facts and circumstances may necessitate revisions to these assumptions and could result in a material change to the carrying values of the Group's assets within the next financial year.

Discount rates

For discounted cash flow calculations, future cash flows are adjusted for risks specific to the CGU. FVLCD discounted cash flow calculations use the post-tax discount rate. The discount rate is derived using the weighted average cost of capital methodology. The discount rates applied in impairment tests are reassessed each year and, in 2023, the post-tax discount rate was estimated at 11.0% (2022: 11.0%) with the effect of the Group's reduced debt position offset by the impact of the general increase in interest rates.

Oil prices

The price assumptions used for FVLCD impairment testing were based on latest internal forecasts as at 31 December 2023, which assume short-term market prices will revert to the Group's assessment of long-term price. These price forecasts reflect EnQuest's long-term views of global supply and demand, including the potential financial impacts on the Group of climate change and the transition to a low carbon economy as outlined in the Basis of Preparation, and are benchmarked with external sources of information such as analyst forecasts. The Group's price forecasts are reviewed and approved by management, the Audit Committee and the Board of Directors.

EnQuest revised its oil price assumptions for FVLCD impairment testing compared to those used in 2022. The Group's long-term price assumption was increased to better align with external forecasts. A summary of the Group's revised price assumptions is provided below. These assumptions, which represent management's best estimate of future prices, sit within the range of external forecasts. They do not correspond to any specific Paris–consistent scenario, but when compared to the International Energy Agency's ('IEA') forecast prices under its Announced Pledges Scenario ('APS'), which is considered to be a scenario achieving an emissions trajectory consistent with keeping the temperature rise in 2100 below 2°C, could, on average, be considered to be broadly in line with a Paris-consistent scenario. EnQuest's short- and medium-term assumptions are below those assumed under the APS, while its longer-term prices are slightly higher. The impact on the Group from the forecast prices under the APS are discussed in EnQuest's Task Force on Climate-related Financial Disclosures report on pages 66 to 75. Discounts or premiums are applied to price assumptions based on the characteristics of the oil produced and the terms of the relevant sales contracts.

An inflation rate of 2% (2022: 2%) is applied from 2027 onwards to determine the price assumptions in nominal terms (see table below). The price assumptions used in 2022 were $84.0/bbl (2023), $80.0/bbl (2024), $75.0/bbl (2025) and $70.0/bbl real thereafter, inflated at 2.0% per annum from 2026.

	2024	2025	2026	2027>*
Brent oil ($/bbl)	80	80	75	77

* Inflated at 2% from 2027

2. Basis of preparation continued

Oil and natural gas reserves

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The business of the Group is to responsibly optimise production, leverage existing infrastructure, deliver a strong decommissioning performance and explore new energy and decarbonisation opportunities. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity, and drilling of new wells all impact on the determination of the Group's estimates of its oil and gas reserves and result in different future production profiles affecting prospectively the discounted cash flows used in impairment testing and the calculation of contingent consideration, the anticipated date of decommissioning and the depletion charges in accordance with the unit of production method, as well as the going concern assessment. Economic assumptions used to estimate reserves change from period to period as additional technical and operational data is generated. This process may require complex and difficult geological judgements to interpret the data.

The Group uses proven and probable ('2P') reserves (see page 24) as the basis for calculations of expected future cash flows from underlying assets because this represents the reserves management intends to develop and it is probable that a market participant would attribute value to them. Third-party audits of EnQuest's reserves and resources are conducted annually.

Sensitivity analyses

Management tested the impact of a change in cash flows in FVLCD impairment testing arising from a 10% reduction in price assumptions, which it believes to be a reasonably possible change given the prevailing macroeconomic environment.

Price reductions of this magnitude in isolation could indicatively lead to a further reduction in the carrying amount of EnQuest's oil and gas properties by approximately $224.1 million, which is approximately 10% of the net book value of property, plant and equipment as at 31 December 2023.

The oil price sensitivity analysis above does not, however, represent management's best estimate of any impairments that might be recognised as it does not fully incorporate consequential changes that may arise, such as reductions in costs and changes to business plans, phasing of development, levels of reserves and resources, and production volumes. As the extent of a price reduction increases, the more likely it is that costs would decrease across the industry. The oil price sensitivity analysis therefore does not reflect a linear relationship between price and value that can be extrapolated.

Management also tested the impact of a one percentage point change in the discount rate of 11% used for FVLCD impairment testing of oil and gas properties, which is considered a reasonably possible change given the prevailing macroeconomic environment. If the discount rate was one percentage point higher across all tests performed, the net impairment charge in 2023 would have been approximately $51.3 million higher. If the discount rate was one percentage point lower, the net impairment charge would have been approximately $56.0 million lower.

Goodwill

Irrespective of whether there is any indication of impairment, EnQuest is required to test annually for impairment of goodwill acquired in business combinations. The Group carries goodwill of approximately $134.4 million on its balance sheet (2022: $134.4 million), principally relating to the acquistion of Magnus oil field. Sensitivities and additional information relating to impairment testing of goodwill are provided in note 11.

Deferred tax

The Group assesses the recoverability of its deferred tax assets at each period end. Sensitivities and additional information relating to deferred tax assets/liabilities are provided in note 7(d).

75% Magnus acquisition contingent consideration

Estimates: Following the rising interest rate environment seen in 2023, the Group reassessed the fair value discount rate associated with the Magnus contingent consideration. This was estimated to be 11.3% as at the end of 2023 (2022: 10.0%), as calculated in line with IFRS 13. Sensitivities and additional information relating to the 75% Magnus acquisition contingent consideration are provided in note 22.

2. Basis of preparation continued

Provisions

Estimates: Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's oil and gas production facilities and pipelines. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, estimates of the extent and costs of decommissioning activities, the emergence of new restoration techniques and experience at other production sites. The expected timing, extent and amount of expenditure may also change, for example, in response to changes in oil and gas reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results, although this is not expected within the next year.

The timing and amount of future expenditures relating to decommissioning and environmental liabilities are reviewed annually. The rate used in discounting the cash flows is reviewed half-yearly. The nominal discount rate used to determine the balance sheet obligations at the end of 2023 was 3.5% (2022: 3.5%), reflecting the wider interest rate environment. The weighted average period over which decommissioning costs are generally expected to be incurred is estimated to be approximately ten years. Costs at future prices are determined by applying inflation rates at 2.5% for 2024 and a long-term inflation rate of 2% thereafter (2022: 4% (2023), 3% (2024) and a long-term inflation rate of 2% thereafter) to decommissioning costs.

Further information about the Group's provisions is provided in note 23. Changes in assumptions, including cost reduction factors in relation to the Group's provisions, could result in a material change in their carrying amounts within the next financial year. A one percentage point decrease in the nominal discount rate applied, which is considered a reasonably possible change given the prevailing macroeconomic environment, could increase the Group's provision balances by approximately $68.0 million (2022: $54.0 million). The pre-tax impact on the Group income statement would be a charge of approximately $67.1 million.

Intangible oil and gas assets

Judgements: The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely from either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Refer to note 12 for further details.

3. Segment information

The Group's organisational structure reflects the various activities in which EnQuest is engaged. Management has considered the requirements of IFRS 8 Operating Segments in regard to the determination of operating segments and concluded that at 31 December 2023, the Group had two significant operating segments: the North Sea and Malaysia. Operations are managed by location and all information is presented per geographical segment. The Group's segmental reporting structure remained in place throughout 2023. The North Sea's activities include Upstream, Midstream, Decommissioning and Veri Energy. Veri Energy is not considered a separate operating segment as it does not yet earn revenues and does not yet have material capital and resources. Malaysia's activities include Upstream and Decommissioning. The Group's reportable segments may change in the future depending on the way that resources may be allocated and performance assessed by the Chief Operating Decision Maker, who for EnQuest is the Chief Executive. The information reported to the Chief Operating Decision Maker does not include an analysis of assets and liabilities, and accordingly this information is not presented, in line with IFRS 8 paragraph 23.

Year ended 31 December 2023 $'000	North Sea	Malaysia	All other segments	Total segments	Adjustments and eliminations(i), (ii)	Consolidated
Revenue and other operating income:						
Revenue from contracts with customers	1,325,200	142,510	–	1,467,710	–	1,467,710
Other operating income/(expense)	2,229	–	281	2,510	17,199	19,709
Total revenue and other operating income/(expense)	1,327,429	142,510	281	1,470,220	17,199	1,487,419
Income/(expenses) line items:						
Depreciation and depletion	(278,280)	(19,923)	(105)	(298,308)	–	(298,308)
Net impairment (charge)/reversal to oil and gas assets	(117,396)	–	–	(117,396)	–	(117,396)
Exploration write-off and impairments	–	(5,640)	–	(5,640)	–	(5,640)
Segment profit/(loss)(ii)	389,355	46,192	4,474	440,021	16,206	456,227
Other disclosures:						
Capital expenditure(iii)	149,093	11,817	12	160,922	–	160,922

Year ended 31 December 2022 $'000	North Sea	Malaysia	All other segments	Total segments	Adjustments and eliminations(i), (ii)	Consolidated
Revenue and other operating income:						
Revenue from contracts with customers	1,873,214	159,578	–	2,032,792	–	2,032,792
Other operating income/(expense)	9,832	–	264	10,096	(189,266)	(179,170)
Total revenue and other operating income/(expense)	1,883,046	159,578	264	2,042,888	(189,266)	1,853,622
Income/(expenses) line items:						
Depreciation and depletion	(319,025)	(14,116)	(107)	(333,248)	–	(333,248)
Net impairment (charge)/reversal to oil and gas assets	(81,049)	–	–	(81,049)	–	(81,049)
Segment profit/(loss)(ii)	546,199	65,160	112	611,471	(199,584)	411,887
Other disclosures:						
Capital expenditure(iii)	115,853	39,030	30	154,913	–	154,913

(i) Finance income and costs and gains and losses on derivatives are not allocated to individual segments as the underlying instruments are managed on a Group basis
(ii) Inter-segment revenues are eliminated on consolidation. All other adjustments are part of the reconciliations presented further below
(iii) Capital expenditure consists of property, plant and equipment and intangible exploration and appraisal assets

3. Segment information continued

Reconciliation of profit/(loss):

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Segment profit/(loss) before tax and finance income/(costs)	440,021	611,471
Finance costs	(230,941)	(212,637)
Finance income	6,493	3,964
Gain/(loss) on oil and foreign exchange derivatives(i)	16,206	(199,584)
Profit/(loss) before tax	231,779	203,214

(i) Includes $8.4 million realised losses on derivatives (2022: $209.2 million) and $24.6 million unrealised gains on derivatives (2022: $9.6 million)

Revenue from two customers relating to the North Sea operating segment each exceeds 10% of the Group's consolidated revenue arising from sales of crude oil, with amounts of $491.2 million and $201.3 million per each single customer (2022: two customers; $365.1 million and $321.7 million per each single customer).

4. Remeasurements and exceptional items

Accounting policy

As permitted by IAS 1 (Revised) Presentation of Financial Statements, certain items of income or expense which are material are presented separately. Additional line items, headings, sub-totals and disclosures of the nature and amount are presented to provide relevant understanding of the Group's financial performance.

Remeasurements and exceptional items are items that management considers not to be part of underlying business performance and are disclosed in order to enable shareholders to understand better and evaluate the Group's reported financial performance. The items that the Group separately presents as exceptional on the face of the Group income statement are those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Remeasurements relate to those items which are remeasured on a periodic basis and are applied consistently year-on-year. If an item is assessed as a remeasurement or exceptional item, then subsequent accounting to completion of the item is also taken through remeasurement and exceptional items. Management has exercised judgement in assessing the relevant material items disclosed as exceptional.

The following items are classified as remeasurements and exceptional items ('exceptional'):

- Unrealised mark-to-market changes in the remeasurement of open derivative contracts at each period end are recognised within remeasurements, with the recycling of realised amounts from remeasurements into Business performance income when a derivative instrument matures;
- Impairments on assets, including other non-routine write-offs/write-downs where deemed material, are remeasurements and are deemed to be exceptional in nature;
- Fair value accounting arising in relation to business combinations is deemed as exceptional in nature, as these transactions do not relate to the principal activities and day-to-day Business performance of the Group. The subsequent remeasurements of contingent assets and liabilities arising on acquisitions, including contingent consideration, are presented within remeasurements and are presented consistently year-on-year; and
- Other items that arise from time to time that are reviewed by management as non-Business performance and are disclosed further below.

Year ended 31 December 2023 $'000	Fair value remeasurement(i)	Impairments and write-offs(ii)	Other(iii)	Total
Revenue and other operating income	28,463	–	–	28,463
Cost of sales	(3,832)	–	(1,818)	(5,650)
Net impairment (charge)/reversal on oil and gas assets	–	(117,396)	–	(117,396)
Other income	69,665	–	9,319	78,984
Other expense	–	(5,640)	(5,091)	(10,731)
Finance costs	–	–	(58,854)	(58,854)
	94,296	(123,036)	(56,444)	(85,184)
Corporation tax on items above	(37,788)	181	21,790	(15,817)
UK Energy Profits Levy(v)	(38,560)	22,518	56,997	40,955
	17,948	(100,337)	22,343	(60,046)

4. Remeasurements and exceptional items continued

Year ended 31 December 2022 $'000	Fair value remeasurement(i)	Impairments and write-offs(ii)	Other(iii)	Total
Revenue and other operating income	14,475	–	–	14,475
Cost of sales	(4,900)	–	–	(4,900)
Net impairment (charge)/reversal on oil and gas assets	–	(81,049)	–	(81,049)
Other income	1,070	–	6,636	7,706
Other expenses	(233,570)	–	–	(233,570)
Finance costs	–	–	(36,410)	(36,410)
Finance income	–	–	2,148	2,148
	(222,925)	(81,049)	(27,626)	(331,600)
Corporation tax on items above	89,599	32,420	7,817	129,836
Recognition of undiscounted deferred tax asset(iv)	–	127,024	–	127,024
UK Energy Profits Levy(v)	–	–	(178,840)	(178,840)
	(133,326)	78,395	(198,649)	(253,581)

(i) Fair value remeasurements include unrealised mark-to-market movements on derivative contracts and other financial instruments, and the impact of recycled realised gains and losses out of 'Remeasurements and exceptional items' and into Business performance profit or loss of $24.6 million (2022: $9.6 million). Other income relates to the fair value remeasurement of contingent consideration relating to the acquisition of Magnus and associated infrastructure of $69.7 million (note 22) (2022: net other expense of $232.5 million)
(ii) Impairments and write-offs include a net impairment charge of tangible oil and gas assets and right-of-use assets totalling $117.4 million (note 10) (2022: charge of $81.0 million) and write-off of exploration costs in Malaysia of $5.6 million (2022: nil)
(iii) Other items are made up of the following: other costs of sales includes $1.8 million related to an increase in a provision for a dispute with a third-party contractor (2022: nil). Other net income primarily includes $4.1 million recognition of insurance income related to the PM8/Seligi riser incident (2022: $6.6 million) and $0.1 million movement in other provisions (2022: nil). Finance costs relates to the finance cost element of the 75% acquisition of Magnus and associated infrastructure of $58.9 million (note 22) (2022: $36.4 million). In 2022, finance income of $2.1 million represents a realised gain on the partial buy back of the Group's 7.00% high yield bond
(iv) Non-cash deferred tax recognition in 2022 is due to the Group's higher oil price assumptions
(v) In 2022, UK Energy Profits Levy ('EPL') represented the charge on initial recognition. In 2023, the related assumptions were refined, resulting in a credit of $32.7 million in other items. The remaining EPL items relate to the EPL charges and credits on the items above

5. Revenue and expenses

(a) Revenue and other operating income

Accounting policy

Revenue from contracts with customers

The Group generates revenue through the sale of crude oil, gas and condensate to third parties, and through the provision of infrastructure to its customers for tariff income. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The normal credit term is 30 days or less upon performance of the obligation.

Sale of crude oil, gas and condensate

The Group sells crude oil, gas and condensate directly to customers. The sale represents a single performance obligation, being the sale of barrels equivalent to the customer on taking physical possession or on delivery of the commodity into an infrastructure. At this point the title passes to the customer and revenue is recognised. The Group principally satisfies its performance obligations at a point in time; the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. Transaction prices are referenced to quoted prices, plus or minus an agreed fixed discount rate to an appropriate benchmark, if applicable.

Tariff revenue for the use of Group infrastructure

Tariffs are charged to customers for the use of infrastructure owned by the Group. The revenue represents the performance of an obligation for the use of Group assets over the life of the contract. The use of the assets is not separable as they are interdependent in order to fulfil the contract and no one item of infrastructure can be individually isolated. Revenue is recognised as the performance obligations are satisfied over the period of the contract, generally a period of 12 months or less, on a monthly basis based on throughput at the agreed contracted rates.

Other operating income

Other operating revenue is recognised to the extent that it is probable economic benefits will flow to the Group and the revenue can be reliably measured.

The Group enters into oil derivative trading transactions which can be settled net in cash. Accordingly, any gains or losses are not considered to constitute revenue from contracts with customers in accordance with the requirements of IFRS 15, rather are accounted for in line with IFRS 9 and included within other operating income (see note 19).

5. Revenue and expenses continued

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Revenue from contracts with customers:		
Revenue from crude oil sales	**1,127,419**	1,517,666
Revenue from gas and condensate sales(i)	**338,973**	514,206
Tariff revenue	**1,318**	920
Total revenue from contracts with customers	**1,467,710**	2,032,792
Realised gains/(losses) on oil derivative contracts (see note 19)	**(11,264)**	(203,741)
Other	**2,510**	10,096
Business performance revenue and other operating income	**1,458,956**	1,839,147
Unrealised gains/(losses) on oil derivative contracts(ii) (see note 19)	**28,463**	14,475
Total revenue and other operating income	**1,487,419**	1,853,622

(i) Includes onward sale of third-party gas purchases not required for injection activities at Magnus (see note 5(b))
(ii) Unrealised gains and losses on oil derivative contracts are disclosed as fair value remeasurement items in the income statement (see note 4)

Disaggregation of revenue from contracts with customers

	Year ended 31 December 2023 $'000			Year ended 31 December 2022 $'000		
	North Sea	Malaysia	Total	North Sea	Malaysia	Total
Revenue from contracts with customers:						
Revenue from crude oil sales	**987,610**	**139,809**	**1,127,419**	1,360,228	157,438	1,517,666
Revenue from gas and condensate sales(i)	**336,902**	**2,071**	**338,973**	512,066	2,140	514,206
Tariff revenue	**689**	**629**	**1,318**	920	–	920
Total revenue from contracts with customers	**1,325,201**	**142,509**	**1,467,710**	1,873,214	159,578	2,032,792

(i) Includes onward sale of third-party gas purchases not required for injection activities at Magnus (see note 5(b))

(b) Cost of sales

Accounting policy

Production imbalances, movements in under/over-lift and movements in inventory are included in cost of sales. The over-lift liability is recorded at the cost of the production imbalance to represent a provision for production costs attributable to the volumes sold in excess of entitlement. The under-lift asset is recorded at the lower of cost and net realisable value ('NRV'), consistent with IAS 2, to represent a right to additional physical inventory. An under-lift of production from a field is included in current receivables and an over-lift of production from a field is included in current liabilities.

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Production costs	**308,331**	347,832
Tariff and transportation expenses	**41,736**	43,266
Realised (gain)/loss on derivative contracts related to operating costs (see note 19)	**(2,839)**	5,418
Change in lifting position	**(2,669)**	(18,790)
Crude oil inventory movement	**(1,575)**	3,222
Depletion of oil and gas assets(i)	**292,199**	327,027
Other cost of operations(ii)	**305,919**	487,831
Business performance cost of sales	**941,102**	1,195,806
Unrealised losses/(gains) on derivative contracts related to operating costs(iii) (see note 19)	**3,832**	4,900
Movement in contractor dispute provision (see note 23)	**1,818**	–
Total cost of sales	**946,752**	1,200,706

(i) Includes $28.6 million (2022: $38.7 million) Kraken FPSO right-of-use asset depreciation charge and $24.0 million (2022: $15.8 million) of other right-of-use assets depreciation charge
(ii) Includes $294.0 million (2022: $452.8 million) of purchases and associated costs of third-party gas not required for injection activities at Magnus which is sold on
(iii) Unrealised gains and losses on derivative contracts are disclosed as fair value remeasurement in the income statement (see note 4)

5. Revenue and expenses continued

(c) General and administration expenses

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Staff costs (see note 5(f))	77,517	75,266
Depreciation(i)	6,109	6,222
Other general and administration costs	25,490	21,740
Recharge of costs to operations and joint venture partners	(102,768)	(95,675)
Total general and administration expenses	6,348	7,553

(i) Includes $3.4 million (2022: $3.4 million) right-of-use assets depreciation charge on buildings

(d) Other income

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Net foreign exchange gains	–	21,329
Change in decommissioning provisions (see note 23)	–	36,763
Change in Thistle decommissioning provisions (see note 23)	–	6,060
Rental income from office sublease	2,286	1,549
Other	15,611	10,546
Business performance other income	17,897	76,247
Fair value changes in contingent consideration (see note 22)	69,665	1,070
Other non-business performance (see note 4)	9,319	6,636
Total other income	96,881	83,953

(e) Other expenses

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Net foreign exchange losses	11,659	–
Change in decommissioning provisions (see note 23)	31,159	–
Change in Thistle decommissioning provisions (see note 23)	1,605	–
Other	2,423	2,810
Business performance other expenses	46,846	2,810
Fair value changes in contingent consideration (see note 22)	–	233,570
Other non-business performance (see note 4)	10,731	–
Total other expenses	57,577	236,380

5. Revenue and expenses continued

(f) Staff costs

Accounting policy

Short-term employee benefits, such as salaries, social premiums and holiday pay, are expensed when incurred.

The Group's pension obligations consist of defined contribution plans. The Group pays fixed contributions with no further payment obligations once the contributions have been paid. The amount charged to the Group income statement in respect of pension costs reflects the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the balance sheet.

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Wages and salaries	63,458	63,430
Social security costs	5,457	6,547
Defined contribution pension costs	5,038	4,968
Expense of share-based payments (see note 21)	3,320	4,719
Other staff costs	11,079	12,984
Total employee costs	88,352	92,648
Contractor costs	38,304	33,661
Total staff costs	126,656	126,309
General and administration staff costs (see note 5(c))	77,517	75,266
Non-general and administration costs	49,139	51,043
Total staff costs	126,656	126,309

The monthly average number of persons, excluding contractors, employed by the Group during the year was 697, with 343 in the general and administration staff costs and 354 directly attributable to assets (2022: 715 of which 335 in general and administration and 380 directly attributable to assets). Compensation of key management personnel is disclosed in note 26 and in the Directors' Remuneration Report on pages 99 to 117.

(g) Auditor's remuneration

The following amounts for the year ended 31 December 2023 and for the comparative year ended 31 December 2022 were payable by the Group to Deloitte:

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Fees payable to the Company's auditor for the audit of the parent company and Group financial statements	1,239	1,064
The audit of the Company's subsidiaries	177	274
Total audit	1,416	1,338
Audit-related assurance services(i)	314	649
Total audit and audit-related assurance services	1,730	1,987
Total auditor's remuneration	1,730	1,987

(i) Audit-related assurance services in both years include the review of the Group's interim results, G&A assurance review and the Bond refinancing activities

6. Finance costs/income

Accounting policy

Borrowing costs are recognised as interest payable within finance costs at amortised cost using the effective interest method.

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Finance costs:		
Loan interest payable	**30,708**	14,906
Bond interest payable	**58,999**	62,260
Unwinding of discount on decommissioning provisions (see note 23)	**24,236**	16,995
Unwinding of discount on other provisions (see note 23)	**1,145**	777
Finance charges payable under leases (see note 24)	**43,801**	39,172
Amortisation of finance fees on loans and bonds	**7,899**	35,287
Other financial expenses(i)	**5,299**	6,830
Business performance finance expenses	**172,087**	176,227
Unwinding of discount on Magnus-related contingent consideration (see note 22)	**58,854**	36,410
Total finance costs	**230,941**	212,637
Finance income:		
Bank interest receivable	**6,493**	1,816
Business performance finance income	**6,493**	1,816
Other financial income (see note 4)	**–**	2,148
Total finance income	**6,493**	3,964

(i) Includes unwinding of discount on Golden Eagle contingent consideration of $1.7 million (2022: $3.2 million). See note 22

7. Income tax

(a) Income tax

Accounting policy

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

The Group's operations are subject to a number of specific tax rules which apply to exploration, development and production. In addition, the tax provision is prepared before the relevant companies have filed their tax returns with the relevant tax authorities and, significantly, before these have been agreed. As a result of these factors, the tax provision process necessarily involves the use of a number of estimates and judgements, including those required in calculating the effective tax rate. In considering the tax on exceptional items, the Group applies the appropriate statutory tax rate to each item to calculate the relevant tax charge on exceptional items.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. However, deferred tax is not accounted for if a temporary difference arises from initial recognition of other assets or liabilities in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured on an undiscounted basis using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legal right exists to offset current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Production taxes

In addition to corporate income taxes, the Group's financial statements also include and disclose production taxes on net income determined from oil and gas production.

Production tax relates to Petroleum Revenue Tax ('PRT') within the UK and is accounted for under IAS 12 Income Taxes since it has the characteristics of an income tax as it is imposed under government authority and the amount payable is based on taxable profits of the relevant fields. Current and deferred PRT is provided on the same basis as described above for income taxes.

7. Income tax continued

Investment allowance

The UK taxation regime provides for a reduction in ring-fence supplementary charge tax where investment in new or existing UK assets qualify for a relief known as investment allowance. Investment allowance must be activated by commercial production from the same field before it can be claimed. The Group has both unactivated and activated investment allowances which could reduce future supplementary charge taxation. The Group's policy is that investment allowance is recognised as a reduction in the charge to taxation in the years claimed.

Energy Profits Levy

The Energy (Oil & Gas) Profits Levy Act 2022 ('EPL') applies an additional tax on the profits earned by oil and gas companies from the production of oil and gas on the United Kingdom Continental Shelf until 31 March 2028 (see note 7(e) for extension to 31 March 2029). This is accounted for under IAS 12 Income Taxes since it has the characteristics of an income tax as it is imposed under government authority and the amount payable is based on taxable profits of the relevant UK companies. Current and deferred tax is provided on the same basis as described above for income taxes.

The major components of income tax expense/(credit) are as follows:

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Current UK income tax		
Current income tax charge	**–**	–
Adjustments in respect of current income tax of previous years	**(14)**	(243)
Current overseas income tax		
Current income tax charge	**24,685**	19,017
Adjustments in respect of current income tax of previous years	**(2,567)**	(6,551)
UK Energy Profits Levy		
Current year charge	**175,118**	72,147
Adjustments in respect of current charge of previous years	**(11,605)**	–
Total current income tax	**185,617**	84,370
Deferred UK income tax		
Relating to origination and reversal of temporary differences	**160,712**	1,784
Adjustments in respect of changes in tax rates	**–**	45
Adjustments in respect of deferred income tax of previous years	**4,974**	(4,668)
Deferred overseas income tax		
Relating to origination and reversal of temporary differences	**(3,761)**	6,884
Adjustments in respect of deferred income tax of previous years	**1,430**	2,363
Deferred UK Energy Profits Levy		
Relating to origination and reversal of temporary differences	**(58,661)**	153,670
Adjustments in respect of deferred charge of previous years	**(27,699)**	–
Total deferred income tax	**76,995**	160,078
Income tax expense reported in profit or loss	**262,612**	244,448

7. Income tax continued

(b) Reconciliation of total income tax charge

A reconciliation between the income tax charge and the product of accounting profit multiplied by the UK statutory tax rate is as follows:

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Profit/(loss) before tax	**231,779**	203,214
UK statutory tax rate applying to North Sea oil and gas activities of 40% (2022: 40%)	**92,712**	81,284
Supplementary corporation tax non-deductible expenditure	**10,580**	11,486
Non-deductible expenditure(i)	**69,494**	47,951
Petroleum revenue tax (net of income tax benefit)	**(8,200)**	–
Tax in respect of non-ring-fence trade	**7,418**	8,892
Deferred tax asset impairment in respect of non-ring-fence trade	**11,696**	8,563
Deferred tax asset recognition in respect of ring-fence trade	**–**	(127,022)
UK Energy Profits Levy(ii)	**116,457**	225,817
Adjustments in respect of prior years	**(35,481)**	(9,098)
Overseas tax rate differences	**(1,114)**	(1,264)
Share-based payments	**(90)**	(1,345)
Other differences	**(860)**	(816)
At the effective income tax rate of 113% (2022: 120%)	**262,612**	244,448

(i) Predominantly in relation to non-qualifying expenditure relating to the initial recognition exemption utilised under IAS 12 upon acquisition of Golden Eagle given that at the time of the transaction, it affected neither accounting profit nor taxable profit
(ii) Includes current EPL charge of $175.1 million (2022: $72.1 million charge) and deferred EPL credit of $58.7 million (2022: $153.7 million charge)

(c) Deferred income tax

Deferred income tax relates to the following:

	Group balance sheet 2023 $'000	Group balance sheet 2022 $'000	Charge/(credit) for the year recognised in profit or loss 2023 $'000	Charge/(credit) for the year recognised in profit or loss 2022 $'000
Deferred tax liability				
Accelerated capital allowances	**877,800**	963,816	**(86,015)**	195,185
	877,800	963,816		
Deferred tax asset				
Losses	**(695,888)**	(902,101)	**206,213**	114,996
Decommissioning liability	**(265,800)**	(238,624)	**(27,176)**	47,421
Other temporary differences	**(378,592)**	(362,565)	**(16,027)**	(197,524)
	(1,340,280)	(1,503,290)	**76,995**	160,078
Net deferred tax (assets)	**(462,479)**	(539,474)		
Reflected in the balance sheet as follows:				
Deferred tax assets	**(540,122)**	(705,808)		
Deferred tax liabilities	**77,643**	166,334		
Net deferred tax (assets)	**(462,479)**	(539,474)		

Reconciliation of net deferred tax assets/(liabilities)

	2023 $'000	2022 $'000
At 1 January	**539,474**	699,552
Tax expense during the period recognised in profit or loss	**(76,995)**	(160,078)
At 31 December	**462,479**	539,474

7. Income tax continued

(d) Tax losses

The Group's deferred tax assets at 31 December 2023 are recognised to the extent that taxable profits are expected to arise in the future against which tax losses and allowances in the UK can be utilised. In accordance with IAS 12 Income Taxes, the Group assesses the recoverability of its deferred tax assets at each period end. Sensitivities have been run on the oil price assumption, with a 10% change being considered a reasonable possible change for the purposes of sensitivity analysis (see note 2). A 10% reduction in oil price would result in a deferred tax asset derecognition of $62.5 million while a 10% increase in oil price would not result in any change as the Group is currently recognising all UK tax losses (with the exception of those noted below).

The Group has unused UK mainstream corporation tax losses of $442.1 million (2022: $389.7 million) and ring-fence tax losses of $1,163.0 million (2022: $1,163.0 million) associated with the Bentley acquisition, for which no deferred tax asset has been recognised at the balance sheet date as recovery of these losses is to be established. In addition, the Group has not recognised a deferred tax asset for the adjustment to bond valuations on the adoption of IFRS 9. The benefit of this deduction is taken over ten years, with a deduction of $2.2 million being taken in the current period and the remaining benefit of $8.5 million (2022: $10.7 million) remaining unrecognised.

The Group has unused Malaysian income tax losses of $14.3 million (2022: $14.3 million) arising in respect of the Tanjong Baram RSC for which no deferred tax asset has been recognised at the balance sheet date due to uncertainty of recovery of these losses.

No deferred tax has been provided on unremitted earnings of overseas subsidiaries. The Finance Act 2009 exempted foreign dividends from the scope of UK corporation tax where certain conditions are satisfied.

(e) Changes in legislation

Finance Act 2001 amended the mainstream corporation tax rate to 25% from 1 April 2023. The change had no impact in the current year as UK mainstream corporation tax losses are not recognised.

In the Autumn Statement on 22 November 2023, the UK Government confirmed that it will bring in legislation for the Energy Security Investment Mechanism and has agreed to index link the trigger floor price to the CPI from April 2024. The Government also announced that once the decarbonisation allowance of 80% against EPL is withdrawn in March 2028, it will replace this with a new allowance at the same effective rate against the permanent tax regime. In March 2024, the UK Government announced that the sunset clause for EPL would be extended by a year to 31 March 2029, the impact on the current year financial statements would be an increase in the tax charge and deferred tax for EPL by $44.6 million. The Group will continue to monitor developments and any potential related impacts.

The UK has introduced legislation implementing the Organisation for Economic Co-operation and Development's ('OECD') proposals for a global minimum corporation tax rate (Pillar Two) which is effective for periods beginning on or after 31 December 2023. This legislation will ensure that profits earned internationally are subject to a minimum tax rate of 15%. The Group has performed an assessment of the potential exposure to Pillar Two income taxes from 1 January 2024 and as the only material overseas jurisdiction in which the Group operates is Malaysia, which is subject to a tax rate of 38%, the Group does not expect a material exposure to Pillar Two income taxes in any jurisdictions. The Group has applied the mandatory exception to recognising and disclosing information about the deferred tax assets and liabilities related to Pillar Two income taxes in accordance with the amendments to IAS 12 published by the International Accounting Standards Board ('IASB') on 23 May 2023.

8. Earnings per share

The calculation of earnings per share is based on the profit after tax and on the weighted average number of Ordinary shares in issue during the period. Diluted earnings per share is adjusted for the effects of Ordinary shares granted under the share-based payment plans, which are held in the Employee Benefit Trust, unless it has the effect of increasing the profit or decreasing the loss attributable to each share.

Basic and diluted earnings per share are calculated as follows:

	Profit/(loss) after tax, Year ended 31 December 2023 $'000	Profit/(loss) after tax, Year ended 31 December 2022 $'000	Weighted average number of Ordinary shares, Year ended 31 December 2023 million	Weighted average number of Ordinary shares, Year ended 31 December 2022 million	Earnings per share, Year ended 31 December 2023 $	Earnings per share, Year ended 31 December 2022 $
Basic	**(30,833)**	(41,234)	**1,871.9**	1,855.0	**(0.016)**	(0.022)
Dilutive potential of Ordinary shares granted under share-based incentive schemes	**–**	–	**4.9**	39.2	**–**	–
Diluted(i)	**(30,833)**	(41,234)	**1,876.8**	1,894.2	**(0.016)**	(0.022)
Basic (excluding remeasurements and exceptional items)	**29,213**	212,346	**1,871.9**	1,855.0	**0.016**	0.114
Diluted (excluding remeasurements and exceptional items)(i)	**29,213**	212,346	**1,876.8**	1,894.2	**0.016**	0.112

(i) Potential Ordinary shares are not treated as dilutive when they would decrease a loss per share

9. Distributions paid and proposed

The Company paid no dividends during the year ended 31 December 2023 (2022: none). At 31 December 2023, there are no proposed dividends (2022: none). The Board of Directors of EnQuest PLC are proposing making a $15.0 million share buy back, to be executed during 2024. The distribution will be below the limit granted at the 2023 Annual General Meeting allowing the Company to purchase up to 10% of its issued Ordinary share capital in the market.

10. Property, plant and equipment

Accounting policy

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment charges.

Cost

Cost comprises the purchase price or cost relating to development, including the construction, installation and completion of infrastructure facilities such as platforms, pipelines and development wells and any other costs directly attributable to making that asset capable of operating as intended by management. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the other operating income or expense line item in the Group income statement when the asset is derecognised.

Development assets

Expenditure relating to development of assets, including the construction, installation and completion of infrastructure facilities such as platforms, pipelines and development wells, is capitalised within property, plant and equipment.

Carry arrangements

Where amounts are paid on behalf of a carried party, these are capitalised. Where there is an obligation to make payments on behalf of a carried party and the timing and amount are uncertain, a provision is recognised. Where the payment is a fixed monetary amount, a financial liability is recognised.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are capitalised during the development phase of the project until such time as the assets are substantially ready for their intended use.

Depletion and depreciation

Oil and gas assets are depleted, on a field-by-field basis, using the unit of production method based on entitlement to proven and probable reserves, taking account of estimated future development expenditure relating to those reserves. Changes in factors which affect unit of production calculations are dealt with prospectively. Depletion of oil and gas assets is taken through cost of sales.

Depreciation on other elements of property, plant and equipment is provided on a straight-line basis, and taken through general and administration expenses, at the following rates:

Office furniture and equipment	Five years
Fixtures and fittings	Ten years
Right-of-use assets*	Lease term

* Excludes Kraken FPSO which is depleted using the unit of production method in accordance with the related oil and gas assets

Each asset's estimated useful life, residual value and method of depreciation is reviewed and adjusted if appropriate at each financial year end. No depreciation is charged on assets under construction.

Impairment of tangible and intangible assets (excluding goodwill)

At each balance sheet date, discounted cash flow models comprising asset-by-asset life-of-field projections and risks specific to assets, using Level 3 inputs (based on IFRS 13 fair value hierarchy), have been used to determine the recoverable amounts for each CGU. The life of a field depends on the interaction of a number of variables; see note 2 for further details. Estimated production volumes and cash flows up to the date of cessation of production on a field-by-field basis, including operating and capital expenditure, are derived from the Group's business plan. Oil price assumptions and discount rate assumptions used were as disclosed in note 2. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Group income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Group income statement.

10. Property, plant and equipment continued

	Oil and gas assets $'000	Office furniture, fixtures and fittings $'000	Right-of-use assets (note 24) $'000	Total $'000
Cost:				
At 1 January 2022	8,997,353	65,385	867,893	9,930,631
Additions	116,415	1,936	28,394	146,745
Change in decommissioning provision	(75,917)	–	–	(75,917)
Disposal	–	–	(19,428)	(19,428)
At 1 January 2023	**9,037,851**	**67,321**	**876,859**	**9,982,031**
Additions	**120,820**	**1,257**	**28,378**	**150,455**
Change in decommissioning provision (note 23)	**53,333**	**–**	**–**	**53,333**
Disposal	**–**	**–**	**(243)**	**(243)**
Reclassification from intangible assets (note 12)	**31,803**	**–**	**–**	**31,803**
At 31 December 2023	**9,243,807**	**68,578**	**904,994**	**10,217,379**
Accumulated depreciation, depletion and impairment:				
At 1 January 2022	6,650,304	53,829	404,500	7,108,633
Charge for the year	272,588	2,796	57,864	333,248
Net impairment charge for the year	78,058	–	2,991	81,049
Disposal	–	–	(17,874)	(17,874)
At 1 January 2023	**7,000,950**	**56,625**	**447,481**	**7,505,056**
Charge for the year	**239,640**	**2,689**	**55,979**	**298,308**
Net impairment charge/(reversal) for the year	**123,473**	**–**	**(6,077)**	**117,396**
Disposal	**–**	**–**	**(121)**	**(121)**
At 31 December 2023	**7,364,063**	**59,314**	**497,262**	**7,920,639**
Net carrying amount:				
At 31 December 2023	**1,879,744**	**9,264**	**407,732**	**2,296,740**
At 31 December 2022	2,036,901	10,696	429,378	2,476,975
At 1 January 2022	2,347,049	11,556	463,393	2,821,998

The amount of borrowing costs capitalised during the year ended 31 December 2023 was nil (2022: nil), reflecting the short-term nature of the Group's capital expenditure programmes.

Impairments

Impairments to the Group's producing assets and reversals of impairments are set out in the table below:

	Impairment reversal/(charge)		Recoverable amount[i]	
	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000	**31 December 2023 $'000**	31 December 2022 $'000
North Sea	**(117,396)**	(81,049)	**1,323,009**	1,448,391
Net pre-tax impairment reversal/(charge)	**(117,396)**	(81,049)		

(i) Recoverable amount has been determined on a fair value less costs of disposal basis (see note 2 for further details of judgements, estimates and assumptions made in relation to impairments). The amounts disclosed above are in respect of assets where an impairment (or reversal) has been recorded. Assets which did not have any impairment or reversal are excluded from the amounts disclosed

For information on judgements, estimates and assumptions made in relation to impairments, along with sensitivity analysis, see Use of judgements, estimates and assumptions: recoverability of asset carrying values within note 2.

The 2023 net impairment charge of $117.4 million relates to producing assets in the UK North Sea. Impairment charges/reversals were primarily driven by changes in production and cost profile updates on non-operated assets, partially offset by higher forecast oil prices. The 2022 net impairment charge was primarily driven by the introduction of EPL, changes in production profiles and an increased discount rate partially offset by an increase in EnQuest's oil price assumptions.

11. Goodwill

Accounting policy

Cost

Goodwill arising on a business combination is initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity at the date of acquisition. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in profit or loss.

Impairment of goodwill

Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. In accordance with IAS 36 Impairment of Assets, goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount of the CGU to which the goodwill relates should be assessed.

For the purposes of impairment testing, goodwill acquired is allocated to the CGU that is expected to benefit from the synergies of the combination. Each unit or units to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount of the CGU containing goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. For information on significant estimates and judgements made in relation to impairments, see Use of judgements, estimates and assumptions: recoverability of asset carrying values within note 2.

A summary of goodwill is presented below:

	2023 $'000	2022 $'000
Cost and net carrying amount		
At 1 January	**134,400**	134,400
At 31 December	**134,400**	134,400

The majority of the goodwill relates to the 75% acquisition of the Magnus oil field and associated interests. The remaining balance relates to the acquisition of the GKA and Scolty Crathes fields.

Impairment testing of goodwill

Goodwill, which has been acquired through business combinations, has been allocated to the UK North Sea segment CGU, and this is therefore the lowest level at which goodwill is reviewed. The UK North Sea is a combination of oil and gas assets, as detailed within property, plant and equipment (note 10).

The recoverable amounts of the CGU and fields have been determined on a fair value less costs of disposal basis. See notes 2 and 10 for further details. An impairment charge of nil was taken in 2023 (2022: nil) based on a fair value less costs to dispose valuation of the North Sea CGU, as described above.

Sensitivity to changes in assumptions

The Group's recoverable value of assets is highly sensitive, inter alia, to oil price achieved and production volumes. A sensitivity has been run on the oil price assumptions, with a 10% change being considered to be a reasonable possible change for the purposes of sensitivity analysis (see note 2). A 10% reduction in oil price would not result in an impairment charge (2022: 10% reduction would not result in an impairment charge). A 20% reduction in oil price would fully impair goodwill (2022: 25%).

12. Intangible assets

Accounting policy

Exploration and appraisal assets

Exploration and appraisal assets have indefinite useful lives and are accounted for using the successful efforts method of accounting. Pre-licence costs are expensed in the period in which they are incurred. Expenditure directly associated with exploration, evaluation or appraisal activities is initially capitalised as an intangible asset. Such costs include the costs of acquiring an interest, appraisal well drilling costs, payments to contractors and an appropriate share of directly attributable overheads incurred during the evaluation phase. For such appraisal activity, which may require drilling of further wells, costs continue to be carried as an asset, whilst related hydrocarbons are considered capable of commercial development. Such costs are subject to technical, commercial and management review to confirm the continued intent to develop, or otherwise extract value. When this is no longer the case, the costs are written off as exploration and evaluation expenses in the Group income statement. When exploration licences are relinquished without further development, any previous impairment loss is reversed and the carrying costs are written off through the Group income statement. When assets are declared part of a commercial development, related costs are transferred to property, plant and equipment. All intangible oil and gas assets are assessed for any impairment prior to transfer and any impairment loss is recognised in the Group income statement.

During the year ended 31 December 2023, there was no impairment of historical exploration and appraisal expenditures (2022: nil), although $31.8 million of intangible assets associated with the Kraken field were transferred to property, plant and equipment, reflecting updated drilling plans following assessment of previous seismic survey information. During 2023, Malaysia drilled an exploration well on the PM409 licence. The results indicated that there were no commercial prospects and as a result costs of $5.6 million have been written off through the income statement.

Other intangibles

UK emissions allowances ('UKAs') purchased to settle the Group's liability related to emissions are recognised on the balance sheet as an intangible asset at cost. The UKAs will be derecognised upon settling the liability with the respective regulator.

	Exploration and appraisal assets $'000	UK emissions allowances $'000	Total $'000
Cost:			
At 1 January 2022	172,381	10,052	182,433
Additions	8,168	1,199	9,367
Write-off of relinquished licences previously impaired	(25,612)	–	(25,612)
Disposal	–	(10,052)	(10,052)
At 1 January 2023	**154,937**	**1,199**	**156,136**
Additions	**10,467**	**876**	**11,343**
Write-off of relinquished licences previously impaired	**(485)**	**–**	**(485)**
Write-off of unsuccessful exploration expenditure	**(5,640)**	**–**	**(5,640)**
Transfer to property, plant and equipment (note 10)	**(31,803)**	**–**	**(31,803)**
Disposal	**–**	**(1,199)**	**(1,199)**
At 31 December 2023	**127,476**	**876**	**128,352**
Accumulated impairment:			
At 1 January 2022	(134,766)	–	(134,766)
Write-off of relinquished licences previously impaired	25,128	–	25,128
At 1 January 2023	**(109,638)**	**–**	**(109,638)**
Write-off of relinquished licences previously impaired	**485**	**–**	**485**
At 31 December 2023	**(109,153)**	**–**	**(109,153)**
Net carrying amount:			
At 31 December 2023	**18,323**	**876**	**19,199**
At 31 December 2022	45,299	1,199	46,498
At 1 January 2022	37,615	10,052	47,667

13. Inventories

Accounting policy

Inventories of consumable well supplies and inventories of hydrocarbons are stated at the lower of cost and NRV, cost being determined on an average cost basis.

	2023 $'000	2022 $'000
Hydrocarbon inventories	**21,189**	19,613
Well supplies	**63,608**	56,805
	84,797	76,418

During 2023, a net gain of $2.2 million was recognised within cost of sales in the Group income statement relating to inventory (2022: net loss of $4.0 million). The $8.4 million increase in well supplies was primarily driven by increased drilling activities.

The inventory valuation at 31 December 2023 is stated net of a provision of $36.3 million (2022: $38.9 million) to write-down well supplies to their estimated net realisable value.

Inventory with a net book value of $2.9 million was sold as part of the Bressay farm-down (note 25).

14. Cash and cash equivalents

Accounting policy

Cash and cash equivalents includes cash at bank, cash in hand, outstanding bank overdrafts and highly liquid interest-bearing securities with original maturities of three months or fewer.

	2023 $'000	2022 $'000
Available cash	**313,028**	293,866
Restricted cash	**544**	7,745
Cash and cash equivalents	**313,572**	301,611

The carrying value of the Group's cash and cash equivalents is considered to be a reasonable approximation to their fair value due to their short-term maturities.

Restricted cash

Included within the cash balance at 31 December 2023 is restricted cash of $0.5 million placed on deposit in relation to bank guarantees for the Group's Malaysian assets (31 December 2022: $7.7 million).

15. Financial instruments and fair value measurement

Accounting policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are offset and the net amount is reported in the Group balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis.

Financial assets

Financial assets are classified, at initial recognition, as amortised cost, fair value through other comprehensive income ('FVOCI'), or fair value through profit or loss ('FVPL'). The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Group's business model for managing them. The Group does not currently hold any financial assets at FVOCI, i.e. debt financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial assets at amortised cost

Trade receivables, other receivables and joint operation receivables are measured initially at fair value and subsequently recorded at amortised cost, using the effective interest rate ('EIR') method, and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired and EIR amortisation is included within finance costs.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Prepayments, which are not financial assets, are measured at historical cost.

15. Financial instruments and fair value measurement continued

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss ('ECL'), where material, for all financial assets held at the balance sheet date. ECLs are based on the difference between the contractual cash flows due to the Group, and the discounted actual cash flows that are expected to be received. Where there has been no significant increase in credit risk since initial recognition, the loss allowance is equal to 12-month expected credit losses. Where the increase in credit risk is considered significant, lifetime credit losses are provided. For trade receivables, a lifetime credit loss is recognised on initial recognition where material.

The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating) and are based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are joint venture partners and there are no indications of change in risk. Generally, trade receivables are written off when they become past due for more than one year and are not subject to enforcement activity.

Financial liabilities

Financial liabilities are classified, at initial recognition, as amortised cost or at FVPL.

Financial liabilities are derecognised when they are extinguished, discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Group income statement.

Financial liabilities at amortised cost

Loans and borrowings, trade payables and other creditors are measured initially at fair value net of directly attributable transaction costs and subsequently recorded at amortised cost, using the EIR method. Loans and borrowings are interest bearing. Gains and losses are recognised in profit or loss when the liability is derecognised and EIR amortisation is included within finance costs.

Financial instruments at FVPL

The Group holds derivative financial instruments classified as held for trading, not designated as effective hedging instruments. The derivative financial instruments include forward currency contracts and commodity contracts, to address the respective risks; see note 28. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Financial instruments at FVPL are carried in the Group balance sheet at fair value, with net changes in fair value recognised in the Group income statement. Unrealised mark-to-market changes in the remeasurement of open derivative contracts at each period end are recognised within remeasurements, with the recycling of realised amounts from remeasurements into Business performance income when a derivative instrument matures.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. Financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group also holds contingent consideration (see note 22) and a listed equity investment (see note 19). The movements of both are recognised within remeasurements in the Group income statement.

15. Financial instruments and fair value measurement continued

Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

31 December 2023	Notes	Total $'000	Amortised cost $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Financial assets measured at fair value:						
Derivative financial assets measured at FVPL						
Gas commodity contracts	19(a)	**4,499**	**–**	**–**	**4,499**	**–**
Other financial assets measured at FVPL						
Quoted equity shares		**6**	**–**	**6**	**–**	**–**
Total financial assets measured at fair value		**4,505**	**–**	**6**	**4,499**	**–**
Financial assets measured at amortised cost:						
Vendor financing facility	19(f)	**145,103**	**145,103**	**–**	**–**	**–**
Total financial assets measured at amortised cost[ii]		**145,103**	**145,103**	**–**	**–**	**–**
Liabilities measured at fair value:						
Derivative financial liabilities measured at FVPL						
Oil commodity derivative contracts	19(a)	**18,418**	**–**	**–**	**18,418**	**–**
Forward UKA contracts	19(a)	**8,261**	**–**	**–**	**8,261**	**–**
Other financial liabilities measured at FVPL						
Contingent consideration	22	**507,796**	**–**	**–**	**–**	**507,796**
Total liabilities measured at fair value		**534,475**	**–**	**–**	**26,679**	**507,796**
Liabilities measured at amortised cost:						
Interest-bearing loans and borrowings[ii]	18(a)	**319,784**	**319,784**	**–**	**–**	**–**
Retail bond 9.00%	18(b)	**158,683**	**–**	**158,683**	**–**	**–**
High yield bond 11.625%	18(b)	**292,419**	**–**	**292,419**	**–**	**–**
Total liabilities measured at amortised cost[i]		**770,886**	**319,784**	**451,102**	**–**	**–**

(i) Excludes related fees
(ii) Amortised cost is a reasonable approximation of the fair value

15. Financial instruments and fair value measurement continued

31 December 2022	Notes	Total $'000	Amortised cost $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Financial assets measured at fair value:						
Derivative financial assets measured at FVPL						
Gas commodity contracts		4,705	–	–	4,705	–
Other financial assets measured at FVPL						
Quoted equity shares		6	–	6	–	–
Total financial assets measured at fair value		4,711	–	6	4,705	–
Liabilities measured at fair value:						
Derivative financial liabilities measured at FVPL						
Oil commodity derivative contracts	19(a)	46,537	–	–	46,537	–
Forward UKA contracts	19(a)	4,429	–	–	4,429	–
Other financial liabilities measured at FVPL						
Contingent consideration	22	636,875	–	–	–	636,875
Total liabilities measured at fair value		687,841	–	–	50,966	636,875
Liabilities measured at amortised cost:						
Interest-bearing loans and borrowings[ii]	18(a)	417,967	417,967	–	–	–
Retail bond 7.00%	18(b)	133,535	–	133,535	–	–
Retail bond 9.00%	18(b)	153,754	–	153,754	–	–
High yield bond 11.625%	18(b)	297,528	–	297,528	–	–
Total liabilities measured at amortised cost[i]		1,002,784	417,967	584,817	–	–

(i) Excludes related fees
(ii) Amortised cost is a reasonable approximation of the fair value

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly (i.e. prices) or indirectly (i.e. derived from prices) observable; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Derivative financial instruments are valued by counterparties, with the valuations reviewed internally and corroborated with readily available market data (Level 2). Contingent consideration is measured at FVPL using the Level 3 valuation processes, details of which and a reconciliation of movements are disclosed in note 22. There have been no transfers between Level 1 and Level 2 during the period (2022: no transfers).

For the financial assets and liabilities measured at amortised cost but for which fair value disclosures are required, the fair value of the bonds classified as Level 1 was derived from quoted prices for that financial instrument, while interest-bearing loans and borrowings and the vendor financing facility were calculated at amortised cost using the effective interest method to capture the present value (Level 3). A reconciliation of movements is disclosed in note 30.

16. Trade and other receivables

	2023 $'000	2022 $'000
Current		
Trade receivables	**31,905**	69,508
Joint venture receivables	**79,036**	95,854
Under-lift position	**22,309**	26,474
VAT receivable	**3,314**	–
Other receivables	**3,715**	4,141
Prepayments	**2,781**	1,271
Accrued income	**82,426**	79,115
	225,486	276,363

The carrying values of the Group's trade, joint venture and other receivables as stated above are considered to be a reasonable approximation to their fair value largely due to their short-term maturities. Under-lift is valued at the lower of cost or NRV at the prevailing balance sheet date (note 5(b)).

Trade receivables are non-interest-bearing and are generally on 15 to 30-day terms. Joint venture receivables relate to amounts billable to, or recoverable from, joint venture partners. Receivables are reported net of any ECL with no losses recognised as at 31 December 2023 or 2022.

17. Trade and other payables

	2023 $'000	2022 $'000
Current		
Trade payables	**75,981**	82,897
Accrued expenses	**228,664**	300,317
Over-lift position	**18,824**	25,658
Joint venture creditors	**20,262**	11,957
VAT payable	**–**	5,282
Other payables	**3,678**	536
Total Current	**347,409**	426,647
Non-current		
Joint venture creditors	**32,917**	–
Total Non-current	**32,917**	–

The carrying value of the Group's current trade and other payables as stated above is considered to be a reasonable approximation to their fair value largely due to the short-term maturities. Certain trade and other payables will be settled in currencies other than the reporting currency of the Group, mainly in Sterling. Trade payables are normally non-interest-bearing and settled on terms of between 10 and 30 days.

Accrued expenses include accruals for capital and operating expenditure in relation to the oil and gas assets and interest accruals.

The carrying value of the Group's non-current trade and other payables as stated above is considered to be a reasonable approximation to their fair value as this is a specific bi-lateral agreement between counterparties with the liability extinguished in full over time in accordance with the agreed schedule.

18. Loans and borrowings

	2023 $'000	2022 $'000
Borrowings	**311,231**	413,358
Bonds	**463,945**	586,930
	775,176	1,000,288

(a) Borrowings
The Group's borrowings are carried at amortised cost as follows:

	2023			2022		
	Principal $'000	Fees $'000	Total $'000	Principal $'000	Fees $'000	Total $'000
RBL facility	**140,000**	**(4,920)**	**135,080**	400,000	(4,609)	395,391
Term Loan facility	**150,000**	**(3,633)**	**146,367**	–	–	–
SVT working capital facility	**29,784**	**–**	**29,784**	12,275	–	12,275
Vendor loan facility	**–**	**–**	**–**	5,692	–	5,692
Total borrowings	**319,784**	**(8,553)**	**311,231**	417,967	(4,609)	413,358
Due within one year			**27,364**			131,936
Due after more than one year			**283,867**			281,422
Total borrowings			**311,231**			413,358

See liquidity risk – note 28 for the timing of cash outflows relating to loans and borrowings.

Reserve Based Lending ('RBL') facility
In October 2022, the Group agreed an amended and restated RBL facility with commitments of $500.0 million, reducing in accordance with an amortisation schedule, a sub limit for drawings in the form of Letters of Credit of $75.0 million and a standard accordion facility which allowed the Group to increase commitments by an amount of up to $300.0 million on no more than three occasions. The maturity of the new facility is April 2027. Funds can only be drawn under the RBL to a maximum amount of the lesser of (i) the total commitments and (ii) the borrowing base amount. Interest accrues at 4.00% plus a combination of an agreed credit adjustment spread and Secured Overnight Financing Rate ('SOFR').

As at 31 December 2023, the carrying value of the facility was $135.1 million (2022: $395.4 million), comprising the principal of $140.0 million out of accessible commitments of $309.0 million (2022: $400.0 million out of commitments of $500.0 million) and unamortised fees of $4.9 million (2022: $4.6 million).

At 31 December 2023, $166.2 million (2022: $47.3 million) remained available for drawdown under the RBL.

At 31 December 2023, the Letter of Credit utilisation was $43.5 million (2022: $52.7 million).

By the end of February 2024, the Group had fully repaid the outstanding $140.0 million of its Reserve Based Lending Facility.

Term Loan facility
In August 2023, the Group agreed a second lien US Dollar Term Loan facility of $150.0 million. This facility, which was drawn down in full in September 2023, matures in July 2027 and incurs interest at SOFR +7.90%. As at 31 December 2023, the carrying amount of the facility was $146.4 million (2022: nil), comprising the principal of $150.0 million and unamortised fees of $3.6 million. See note 27.

SVT working capital facility
EnQuest has extended the £42.0 million revolving loan facility with a joint operator partner to fund the short-term working capital cash requirements of SVT and associated interests until April 2024. Agreements to transfer the facility to a replacement bank are expected to be executed in April 2024. The facility is guaranteed by BP EOC Limited until the earlier of: a) the date on which production from Magnus permanently ceases; or b) if the operating agreements for both SVT and associated infrastructure are amended to allow for cash calling. The facility is able to be drawn down against, in instalments, and accrues interest at 1.0% per annum plus GBP Sterling Over Night Index Average ('SONIA').

Vendor loan facility
In June 2023, the Group agreed an amended and restated facility with a third-party vendor providing capacity for refinancing the payment of existing invoices up to an amount of £15.0 million, with interest payable monthly at a rate of 9.00% per annum. At 31 December 2023, nil was drawn down on the facility and so this facility expired on 1 January 2024 in accordance with the terms of the facility.

In December 2022, the Group agreed a facility with a third-party vendor refinancing the payment of existing invoices up to an amount of £7.5 million. At 31 December 2022, £4.7 million was drawn down. This amount was fully repaid in May 2023. Interest was payable monthly at a rate of 8.00% per annum.

18. Loans and borrowings continued

(b) Bonds

The Group's bonds are carried at amortised cost as follows:

	2023 Principal $'000	2023 Fees and discount $'000	2023 Total $'000	2022 Principal $'000	2022 Fees and discount $'000	2022 Total $'000
High yield bond 11.625%	305,000	(10,724)	294,276	305,000	(13,815)	291,185
Retail bond 7.00%	–	–	–	134,544	–	134,544
Retail bond 9.00%	169,669	–	169,669	161,201	–	161,201
Total	474,669	(10,724)	463,945	600,745	(13,815)	586,930
Due within one year			–			134,544
Due after more than one year			463,945			452,386
Total			463,945			586,930

High yield bond 11.625%

In October 2022, the Group concluded an offer of $305.0 million for a US Dollar high yield bond. The notes accrue a fixed coupon of 11.625% payable semi-annually in arrears with a maturity date of November 2027.

The above carrying value of the bond as at 31 December 2023 is $294.3 million (2022: $291.2 million). This includes bond principal of $305.0 million (2022: $305.0 million) less the unamortised original issue discount ('OID') of $3.3 million (2022: $4.2 million) and unamortised fees of $7.4 million (2022: $9.6 million). The high yield bond does not include accrued interest of $5.8 million (2022: $6.5 million), which is reported within trade and other payables. The fair value of the high yield bond is disclosed in note 15.

Retail bond 7.00%

On 27 April 2022, following a successful partial exchange and cash offer, £79.3 million of the retail bond 7.00% were exchanged for the retail bond 9.00%. This resulted in an outstanding principal of £111.3 million. On 13 October 2023, the outstanding principal of £111.3 million was repaid in full.

Retail bond 9.00%

On 27 April 2022, the Group issued a new 9.00% retail bond following a successful partial exchange and cash offer. The principal of the retail bond 9.00% raised by the partial exchange and cash offer totalled £133.3 million. The notes accrue a fixed coupon of 9.00% payable semi-annually in arrears and are due to mature in October 2027.

The above carrying value of the bond as at 31 December 2023 is $169.7 million (2022: $161.2 million). All fees associated with this offer were recognised in the income statement in 2022. The retail bond 9.00% does not include accrued interest of $2.7 million (2022: $2.6 million), which is reported within trade and other payables. The fair value of the retail bond 9.00% is disclosed in note 15.

19. Other financial assets and financial liabilities

(a) Summary as at year end

	Notes	2023 Assets $'000	2023 Liabilities $'000	2022 Assets $'000	2022 Liabilities $'000
Fair value through profit or loss:					
Derivative commodity contracts		4,499	18,418	4,705	46,537
Derivative UKA contracts		–	8,261	–	4,429
Amortised cost:					
Other receivables (Vendor financing facility)(i)	19(f), 25	108,827	–	–	–
Total current		113,326	26,679	4,705	50,966
Fair value through profit or loss:					
Quoted equity shares		6	–	6	–
Amortised cost:					
Other receivables (Vendor financing facility)	19(f), 25	36,276	–	–	–
Total non-current		36,282	–	6	–
Total other financial assets and liabilities		149,608	26,679	4,711	50,966

(i) Repayment of $108.8 million was received in the first quarter of 2024 in accordance with the agreed payment schedule between EnQuest and RockRose

(b) Income statement impact

The income/(expense) recognised for derivatives are as follows:

Year ended 31 December 2023	Revenue and other operating income Realised $'000	Revenue and other operating income Unrealised $'000	Cost of sales Realised $'000	Cost of sales Unrealised $'000
Commodity options	(21,463)	19,148	–	–
Commodity swaps	12,474	9,315	–	–
Commodity futures	(2,275)	–	–	–
Foreign exchange contracts	–	–	5,695	–
UKA contracts	–	–	(2,856)	(3,832)
	(11,264)	28,463	2,839	(3,832)

Year ended 31 December 2022	Revenue and other operating income Realised $'000	Revenue and other operating income Unrealised $'000	Cost of sales Realised $'000	Cost of sales Unrealised $'000
Commodity options	(204,943)	20,401	–	–
Commodity swaps	(86)	(5,928)	–	–
Commodity futures	1,288	2	–	–
Foreign exchange contracts	–	–	(5,158)	(381)
UKA contracts	–	–	(260)	(4,519)
	(203,741)	14,475	(5,418)	(4,900)

(c) Commodity contracts

The Group uses derivative financial instruments to manage its exposure to the oil price, including put and call options, swap contracts and futures.

For the year ended 31 December 2023, gains totalling $17.2 million (2022: losses of $189.3 million) were recognised in respect of commodity contracts designated as FVPL. This included losses totalling $11.3 million (2022: losses of $203.7 million) realised on contracts that matured during the year, and mark-to-market unrealised gains totalling $28.5 million (2022: gains of $14.5 million).

The mark-to-market value of the Group's open commodity contracts as at 31 December 2023 was a net liability of $13.9 million (2022: net liability of $41.8 million).

19. Other financial assets and financial liabilities continued

(d) Foreign currency contracts

The Group enters into a variety of foreign currency contracts, primarily in relation to Sterling. During the year ended 31 December 2023, gains totalling $5.7 million (2022: losses of $5.4 million) were recognised in the Group income statement. This included realised gains totalling $5.7 million (2022: losses of $5.2 million) on contracts that matured in the year.

The mark-to-market value of the Group's open contracts as at 31 December 2023 was nil (2022: nil).

(e) UK emissions allowance forward contracts

The Group enters into forward contracts for the purchase of UKAs to manage its exposure to carbon emission credit prices.

The mark-to-market value of the Group's open contracts as at 31 December 2023 was $8.3 million (2022: $4.4 million).

(f) Other receivables

	Other receivables $'000	Equity shares $'000	Total $'000
At 1 January 2022 and 2023	**–**	**6**	**6**
Additions(i)	**145,103**	**–**	**145,103**
At 31 December 2023	**145,103**	**6**	**145,109**
Current			**108,827**
Non-current			**36,282**
			145,109

(i) Additions relate to a vendor financing facility entered into with RockRose Energy Limited on 29 December 2023 following the farm-down of a 15.0% share in the EnQuest Producer FPSO and capital items associated with the Bressay development. $108.8 million was repaid in the first quarter of 2024 with the remainder of $36.3 million repayable through future net cash flows from the Bressay field. Interest on the outstanding amount accrues at 2.5% plus the Bank of England's Base Rate

20. Share capital and premium

Accounting policy

Share capital and share premium

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of registered share capital of the parent company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. The share capital comprises only one class of Ordinary share. Each Ordinary share carries an equal voting right and right to a dividend.

Retained earnings

Retained earnings contain the accumulated profits/(losses) of the Group.

Share-based payments reserve

Equity-settled share-based payment transactions are measured at the fair value of the services received, and the corresponding increase in equity is recorded. EnQuest PLC shares held by the Group in the Employee Benefit Trust ('EBT') are recognised at cost and are deducted from the share-based payments reserve. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to reserves. No gain or loss is recognised in the Group income statement on the purchase, sale, issue or cancellation of equity shares.

Authorised, issued and fully paid	Ordinary shares of £0.05 each Number	Share capital $'000	Share premium $'000	Total $'000
At 1 January 2023	**1,885,924,339**	**131,650**	**260,546**	**392,196**
Issue of new shares to EBT	**26,379,774**	**1,635**	**–**	**1,635**
At 31 December 2023	**1,912,304,113**	**133,285**	**260,546**	**393,831**

At 31 December 2023, there were 8,449,793 shares held by the Employee Benefit Trust (2022: 21,663,181). The movement in the year was shares used to satisfy awards made under the Company's share-based incentive schemes offset by a subscription for additional Ordinary shares.

21. Share-based payment plans

Accounting policy

Eligible employees (including Executive Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares of EnQuest PLC.

Information on these plans for Executive Directors is shown in the Directors' Remuneration Report on pages 110 to 111.

The cost of these equity-settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value of awards is calculated in reference to the scheme rules at the market value, being the average middle market quotation of a share for the three immediately preceding dealing days as derived from the Daily Official List of the London Stock Exchange, provided such dealing days do not fall within any period when dealings in shares are prohibited because of any dealing restriction.

The cost of equity-settled transactions is recognised over the vesting period in which the relevant employees become fully entitled to the award. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Group income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In valuing the transactions, no account is taken of any service or performance conditions, other than conditions linked to the price of the shares of EnQuest PLC (market conditions) or 'non-vesting' conditions, if applicable. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied. Equity awards cancelled are treated as vesting immediately on the date of cancellation, and any expense not previously recognised for the award at that date is recognised in the Group income statement.

The Group operates a number of equity-settled employee share plans under which share units are granted to the Group's senior leaders and certain other employees. These plans typically have a three-year performance or restricted period. Leaving employment will normally preclude the conversion of units into shares, but special arrangements apply for participants that leave for qualifying reasons.

The share-based payment expense recognised for each scheme was as follows:

	2023 $'000	2022 $'000
Performance Share Plan	**2,120**	3,264
Other performance share plans	**231**	261
Sharesave Plan	**969**	1,194
	3,320	4,719

The following table shows the number of shares potentially issuable under equity-settled employee share plans, including the number of options outstanding and the number of options exercisable at the end of each year.

Share plans	2023 Number	2022 Number
Outstanding at 1 January	**102,271,264**	125,493,995
Granted during the year	**33,940,859**	17,368,011
Exercised during the year	**(19,459,260)**	(15,712,039)
Forfeited during the year	**(29,385,408)**	(24,878,703)
Outstanding at 31 December	**87,367,455**	102,271,264
Exercisable at 31 December	**17,944,371**	10,490,719

In addition, the Group operates an approved savings-related share option scheme (the 'Sharesave Plan'). The plan is based on eligible employees being granted options and their agreement to opening a Sharesave account with a nominated savings carrier and to save over a specified period, either three or five years. The right to exercise the option is at the employee's discretion at the end of the period previously chosen, for a period of six months.

21. Share-based payment plans continued

The following table shows the number of shares potentially issuable under equity-settled employee share option plans, including the number of options outstanding, the number of options exercisable at the end of each year and the corresponding weighted average exercise prices.

Share options	2023 Number	2023 Weighted average exercise price $	2022 Number	2022 Weighted average exercise price $
Outstanding at 1 January	**33,308,249**	**0.14**	37,518,927	0.14
Granted during the year	**10,268,853**	**0.14**	1,292,788	0.32
Exercised during the year	**(19,977,354)**	**0.13**	(2,150,313)	0.17
Forfeited during the year	**(4,941,604)**	**0.17**	(3,353,153)	0.14
Outstanding at 31 December	**18,658,144**	**0.16**	33,308,249	0.14
Exercisable at 31 December	**6,553,159**	**0.13**	445,318	0.17

22. Contingent consideration

Accounting policy

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration depicted below is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity if any, is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration is discounted at a risk-free rate combined with a risk premium, calculated in alignment with IFRS 13 and the unwinding of the discount is presented within finance costs.

Any contingent consideration included in the consideration payable for an asset acquisition is recorded at fair value at the date of acquisition and included in the initial measurement of cost. Subsequent measurement changes relating to the variable consideration are capitalised as part of the asset value if it is probable that future economic benefits associated with the asset will flow to the Group and can be measured reliably.

	Notes	Magnus 75% $'000	Magnus decommissioning-linked liability $'000	Golden Eagle $'000	Total $'000
At 31 December 2022		**566,685**	**21,853**	**48,337**	**636,875**
Change in fair value	5(d)	**(69,840)**	**175**	**–**	**(69,665)**
Unwinding of discount	6	**56,668**	**2,186**	**1,663**	**60,517**
Utilisation		**(65,506)**	**(4,425)**	**(50,000)**	**(119,931)**
At 31 December 2023		**488,007**	**19,789**	**–**	**507,796**
Classified as:					
Current		**43,073**	**3,452**	**–**	**46,525**
Non-current		**444,934**	**16,337**	**–**	**461,271**
		488,007	**19,789**	**–**	**507,796**

22. Contingent consideration continued

75% Magnus acquisition contingent consideration

On 1 December 2018, EnQuest completed the acquisition of the additional 75% interest in the Magnus oil field ('Magnus') and associated interests (collectively the 'Transaction assets') which was part funded through a profit share arrangement with bp whereby EnQuest and bp share the net cash flow generated by the 75% interest on a 50:50 basis, subject to a cap of $1.0 billion received by bp. This contingent consideration is a financial liability classified as measured at FVPL. The fair value of contingent consideration has been determined by calculating the present value of the future expected cash flows expected to be paid and is considered a Level 3 valuation under the fair value hierarchy. Future cash flows are estimated based on inputs including future oil prices, production volumes and operating costs. Oil price assumptions and discount rate assumptions used were as disclosed in Use of judgements, estimates and assumptions within note 2. The contingent consideration was fair valued at 31 December 2023, which resulted in a decrease in fair value of $69.8 million (2022: increase of $233.6 million). The decrease in fair value in 2023 reflects a 1.3% increase in the discount rate to 11.3% (2022: 10.0%) and changes in the asset cost profile, partially offset by the Group's increased oil price assumptions. The increase in 2022 reflected the Group's higher long-term oil price assumptions and changes in asset profiles and cost assumptions. The fair value accounting effect and finance costs of $56.7 million (2022: $34.5 million) on the contingent consideration were recognised through remeasurements and exceptional items in the Group income statement. At 31 December 2023, the contingent profit-sharing arrangement cap of $1.0 billion was forecast to be met in the present value calculations (31 December 2022: cap was forecast to be met). Within the statement of cash flows, the profit share element of the repayment, $65.5 million (2022: $46.0 million) is disclosed separately under investing activities. At 31 December 2023, the contingent consideration for Magnus was $488.0 million (31 December 2022: $566.7 million).

Management has considered alternative scenarios to assess the valuation of the contingent consideration including, but not limited to, the key accounting estimate relating to discount rate, the oil price and the interrelationship with production and the profit-share arrangement. A 1.0% reduction in the discount rate applied, which is considered a reasonably possible change given the prevailing macroeconomic conditions, would increase reported contingent consideration by $19.9 million. A 1.0% increase would decrease reported contingent consideration by $18.6 million. As the profit-sharing cap of $1.0 billion is forecast to be met in the present value calculations, sensitivity analysis has only been undertaken on a reduction in the price assumptions of 10%, which is considered to be a reasonably possible change. This results in a reduction of $83.3 million to the contingent consideration (2022: reduction of $73.6 million).

The payment of contingent consideration is limited to cash flows generated from Magnus. Therefore, no contingent consideration is payable if insufficient cash flows are generated over and above the requirements to operate the asset. By reference to the conditions existing at 31 December 2023, the maturity analysis of the contingent consideration is disclosed in Risk management and financial instruments: liquidity risk (note 28).

Magnus decommissioning-linked contingent consideration

As part of the Magnus and associated interests acquisition, bp retained the decommissioning liability in respect of the existing wells and infrastructure and EnQuest agreed to pay additional consideration in relation to the management of the physical decommissioning costs of Magnus. At 31 December 2023, the amount due to bp calculated on an after-tax basis by reference to 30% of bp's decommissioning costs on Magnus was $19.8 million (2022: $21.9 million). Any reasonably possible change in assumptions would not have a material impact on the provision.

Golden Eagle contingent consideration

Part of the Golden Eagle acquisition consideration included an amount that was contingent on the average oil price between July 2021 and June 2023. Over the period July 2021 to June 2023, the average oil price was $89.6/bbl. As such, at 30 June 2023, the contingent consideration was valued at $50.0 million with settlement of this liability completing in July 2023 (2022: liability of $48.3 million).

23. Provisions

Accounting policy

Decommissioning

Provision for future decommissioning costs is made in full when the Group has an obligation: to dismantle and remove a facility or an item of plant; to restore the site on which it is located; and when a reasonable estimate of that liability can be made. The Group's provision primarily relates to the future decommissioning of production facilities and pipelines.

A decommissioning asset and liability are recognised, within property, plant and equipment and provisions, respectively, at the present value of the estimated future decommissioning costs. The decommissioning asset is amortised over the life of the underlying asset on a unit of production basis over proven and probable reserves, included within depletion in the Group income statement. Any change in the present value of estimated future decommissioning costs is reflected as an adjustment to the provision and the oil and gas asset for producing assets. For assets that have ceased production, the change in estimate is reflected as an adjustment to the provision and the Group income statement, via other income or expense. The unwinding of the decommissioning liability is included under finance costs in the Group income statement.

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning liabilities is likely to depend on the dates when the fields cease to be economically viable. This in turn depends on future oil prices, which are inherently uncertain. See Use of judgements, estimates and assumptions: provisions within note 2.

Other

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

	Decommissioning provision $'000	Thistle decommissioning provision $'000	Other provisions $'000	Total $'000
At 31 December 2022	**691,584**	**32,720**	**13,366**	**737,670**
Additions during the year(i)	6,245	–	7,017	13,262
Changes in estimates(i)	78,247	1,605	(5,192)	74,660
Unwinding of discount	24,236	1,145	–	25,381
Utilisation	(44,550)	(10,160)	(797)	(55,507)
Foreign exchange	–	45	(214)	(169)
At 31 December 2023	**755,762**	**25,355**	**14,180**	**795,297**
Classified as:				
Current	55,924	9,757	14,180	79,861
Non-current	699,838	15,598	–	715,436
	755,762	25,355	14,180	795,297

(i) Includes $31.2 million relating to assets in decommissioning disclosed in note 5(e) and $53.3 million related to producing assets disclosed in note 10

Decommissioning provision

The Group's total provision represents the present value of decommissioning costs which are expected to be incurred up to 2048, assuming no further development of the Group's assets. Additions during the year primarily relate to the decommissioning provision recognised due to drilling of new wells in Magnus and Golden Eagle. Changes in estimates during the year primarily reflect the net effect of $61.0 million increase in the underlying cost estimates and $35.0 million foreign exchange impact due to the strengthening Sterling to US Dollar exchange rates. At 31 December 2023, an estimated $175.7 million is expected to be utilised between one and five years (2022: $407.0 million), $355.6 million within six to ten years (2022: $67.6 million), and the remainder in later periods. For sensitivity analysis see Use of judgements, estimates and assumptions within note 2.

The Group enters into surety bonds principally to provide security for its decommissioning obligations. The surety bond facilities, which expired in December 2022, were renewed for 12 months, subject to ongoing compliance with the terms of the Group's borrowings. At 31 December 2023, the Group held surety bonds totalling $250.4 million (2022: $227.6 million).

23. Provisions continued

Thistle decommissioning provision

In 2018, EnQuest exercised the option to receive $50.0 million from bp in exchange for undertaking the management of the physical decommissioning activities for Thistle and Deveron and making payments by reference to 7.5% of bp's share of decommissioning costs of the Thistle and Deveron fields, with the liability recognised within provisions. At 31 December 2023, the amount due to bp by reference to 7.5% of bp's decommissioning costs on Thistle and Deveron was $25.4 million (2022: $32.7 million), with the reduction mainly reflecting the utilisation in the period. Change in estimates of $1.6 million are included within other expense (2022: $6.1 million other income) and unwinding of discount of $1.1 million is included within finance income (2022: $0.8 million).

Other provisions

During 2021, the Group recognised $8.2 million in relation to disputes with third-party contractors. In 2022, one dispute was settled for $0.5 million and the other dispute is ongoing. At 31 December 2023, the provision was increased to $9.1 million (31 December 2022: $7.5 million) reflecting legal costs and interest charges. The Group expects the dispute to be settled in 2024.

24. Leases

Accounting policy

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease, or, if that rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate is the rate that the Group would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value. The incremental borrowing rate is determined based on a series of inputs including: the term, the risk-free rate based on government bond rates and a credit risk adjustment based on EnQuest bond yields.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently recorded at amortised cost, using the effective interest rate method. The liability is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group did not make any such adjustments during the periods presented.

The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'property, plant and equipment' policy (see note 10).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included within 'cost of sales' or 'general and administration expenses' in the Group income statement.

24. Leases continued

For leases within joint ventures, the Group assesses on a lease-by-lease basis the facts and circumstances. This relates mainly to leases of vessels. Where all parties to a joint operation jointly have the right to control the use of the identified asset and all parties have a legal obligation to make lease payments to the lessor, the Group's share of the right-of-use asset and its share of the lease liability will be recognised on the Group balance sheet. This may arise in cases where the lease is signed by all parties to the joint operation or the joint operation partners are named within the lease. However, in cases where EnQuest is the only party with the legal obligation to make lease payments to the lessor, the full lease liability and right-of-use asset will be recognised on the Group balance sheet. This may be the case if, for example, EnQuest, as operator of the joint operation, is the sole signatory to the lease. If the underlying asset is used for the performance of the joint operation agreement, EnQuest will recharge the associated costs in line with the joint operating agreement.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head-lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Right-of-use assets and lease liabilities

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Notes	Right-of-use assets $'000	Lease liabilities $'000
As at 31 December 2021		463,393	570,781
Additions in the period		28,394	28,130
Depreciation expense		(57,864)	–
Impairment charge		(2,991)	–
Disposal		(1,554)	(1,432)
Interest expense		–	39,172
Payments		–	(147,971)
Foreign exchange movements		–	(6,614)
As at 31 December 2022		429,378	482,066
Additions in the period	10	**28,378**	**28,378**
Depreciation expense	10	**(55,979)**	**–**
Impairment reversal	10	**6,077**	**–**
Disposal		**(122)**	**–**
Interest expense		**–**	**43,801**
Payments		**–**	**(135,675)**
Foreign exchange movements		**–**	**3,604**
As at 31 December 2023		**407,732**	**422,174**
Current			**133,282**
Non-current			**288,892**
			422,174

The Group leases assets, including the Kraken FPSO, property, and oil and gas vessels, with a weighted average lease term of four years. The maturity analysis of lease liabilities is disclosed in note 28.

24. Leases continued

Amounts recognised in profit or loss

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Depreciation expense of right-of-use assets	**55,979**	57,864
Interest expense on lease liabilities	**43,801**	39,172
Rent expense – short-term leases	**5,153**	7,116
Rent expense – leases of low-value assets	**113**	50
Total amounts recognised in profit or loss	**105,046**	104,202

Amounts recognised in statement of cash flows

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Total cash outflow for leases	**135,675**	147,971

Leases as lessor

The Group sub-leases part of Annan House, the Aberdeen office. The sub-lease is classified as an operating lease, as all the risks and rewards incidental to the ownership of the right-of-use asset are not all substantially transferred to the lessee. Rental income recognised by the Group during 2023 was $2.3 million (2022: $1.5 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2023 $'000	2022 $'000
Less than one year	**2,682**	2,313
One to two years	**2,011**	2,542
Two to three years	**872**	1,905
Three to four years	**873**	822
Four to five years	**889**	824
More than five years	**2,790**	3,710
Total undiscounted lease payments	**10,117**	12,116

25. Deferred income

Accounting policy

Income is not recognised in the income statement until it is highly probable that the conditions attached to the income will be met.

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Deferred income	**138,416**	–

In December 2023 a farm-down of an equity interest in the EnQuest Producer FPSO and certain capital spares related to the Bressay development was completed and cash received of $141.3 million. The same amount was lent back to the acquirer in December 2023 as vendor financing (see note 19(f)). Proceeds from the transaction are reported within deferred income, as these are contingent upon the Bressay development project achieving regulatory approval. Both parties are committed to delivering the development, however should the project not achieve regulatory approval there remains the option to deploy the assets on an alternative project.

26. Commitments and contingencies

Capital commitments

At 31 December 2023, the Group had commitments for future capital expenditure amounting to $43.8 million (2022: $9.5 million). The key components of this relate to drilling commitments for the Kraken and Golden Eagle fields and commitments for the new stabilisation facility at Sullom Voe Terminal. Where the commitment relates to a joint venture, the amount represents the Group's net share of the commitment. Where the Group is not the operator of the joint venture then the amounts are based on the Group's net share of committed future work programmes.

Other commitments

In the normal course of business, the Group will obtain surety bonds, Letters of Credit and guarantees. At 31 December 2023, the Group held surety bonds totalling $250.4 million (2022: $227.6 million) to provide security for its decommissioning obligations. See note 23 for further details.

26. Commitments and contingencies continued

Contingencies
The Group becomes involved from time to time in various claims and lawsuits arising in the ordinary course of its business. Outside of those already provided, the Group is not, nor has been during the past 12 months, involved in any governmental, legal or arbitration proceedings which, either individually or in the aggregate, have had, or are expected to have, a material adverse effect on the Group balance sheet or profitability. Nor, so far as the Group is aware, are any such proceedings pending or threatened.

A contingent payment of $15.0 million to Equinor is due upon regulatory approval of a Bressay field development plan.

27. Related party transactions

The Group financial statements include the financial statements of EnQuest PLC and its subsidiaries. A list of the Group's principal subsidiaries is contained in note 29 to these Group financial statements.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

All sales to and purchases from related parties are made at normal market prices and the pricing policies and terms of these transactions are approved by the Group's management. With the exception of the transactions disclosed below, there have been no transactions with related parties who are not members of the Group during the year ended 31 December 2023 (2022: none).

Within the $150.0 million Term Loan, Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, lent $9.0 million on the same terms and conditions as all other lending parties. This is considered a smaller related party transaction under Listing Rule 11.1.10.

Compensation of key management personnel
The following table details remuneration of key management personnel of the Group. Key management personnel comprise Executive and Non-Executive Directors of the Company and the Executive Committee.

	2023 $'000	2022 $'000
Short-term employee benefits	**5,360**	6,195
Share-based payments	**144**	3,049
Post-employment pension benefits	**241**	164
Termination payments	**367**	228
	6,112	9,636

28. Risk management and financial instruments

Risk management objectives and policies
The Group's principal financial assets and liabilities comprise trade and other receivables, cash and cash equivalents, interest-bearing loans, borrowings and finance leases, derivative financial instruments and trade and other payables. The main purpose of the financial instruments is to manage short-term cash flow.

The Group's activities expose it to various financial risks particularly associated with fluctuations in oil price, foreign currency risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks, which are summarised below. Also presented below is a sensitivity analysis to indicate sensitivity to changes in market variables on the Group's financial instruments and to show the impact on profit and shareholders' equity, where applicable. The sensitivity has been prepared for periods ended 31 December 2023 and 2022, using the amounts of debt and other financial assets and liabilities held at those reporting dates.

Commodity price risk – oil prices
The Group is exposed to the impact of changes in Brent oil prices on its revenues and profits generated from sales of crude oil.

The Group's policy is to have the ability to hedge oil prices up to a maximum of 75% of the next 12 months' production on a rolling annual basis, up to 60% in the following 12-month period and 50% in the subsequent 12-month period. On a rolling quarterly basis, under the RBL facility, the Group is required to hedge a minimum of 45% of volumes of net entitlement production expected to be produced in the next 12 months, and between 35% and 15% of volumes of net entitlement production expected for the following 12 months dependent on the proportion of the facility that is utilised. This requirement ceases at the end date of the facility.

Details of the commodity derivative contracts entered into during and open at the end of 2023 are disclosed in note 19. As of 31 December 2023, the Group held financial instruments (options and swaps) related to crude oil that covered 5.2 MMbbls of 2024 production and 1.6 MMbbls of 2025 production. The instruments have an effective average floor price of around $60/bbl in both 2024 and 2025. The Group utilises multiple benchmarks when hedging production to achieve optimal results for the Group. No derivatives were designated in hedging relationships at 31 December 2023.

The following table summarises the impact on the Group's pre-tax profit of a reasonably possible change in the Brent oil price on the fair value of derivative financial instruments, with all other variables held constant. The impact in equity is the same as the impact on profit before tax.

28. Risk management and financial instruments continued

	Pre-tax profit	
	+$10/bbl increase $'000	-$10/bbl decrease $'000
31 December 2023	**(4,000)**	**7,400**
31 December 2022	(25,321)	19,922

Foreign exchange risk
The Group is exposed to foreign exchange risk arising from movements in currency exchange rates. Such exposure arises from sales or purchases in currencies other than the Group's functional currency and the 9.00% retail bond which is denominated in Sterling. To mitigate the risks of large fluctuations in the currency markets, the hedging policy agreed by the Board allows for up to 70% of the non-US Dollar portion of the Group's annual capital budget and operating expenditure to be hedged. For specific contracted capital expenditure projects, up to 100% can be hedged. Approximately 22% (2022: 26%) of the Group's sales and 95% (2022: 85%) of costs (including operating and capital expenditure and general and administration costs) are denominated in currencies other than the functional currency.

The Group also enters into foreign currency swap contracts from time to time to manage short-term exposures. The following tables summarise the Group's financial assets and liabilities exposure to foreign currency.

Year ended 31 December 2023	GBP $'000	MYR $'000	Other $'000	Total $'000
Total financial assets	**241,844**	**42,233**	**954**	**285,031**
Total financial liabilities	**618,235**	**9,801**	**1,295**	**629,331**

Year ended 31 December 2022	GBP $'000	MYR $'000	Other $'000	Total $'000
Total financial assets	45,732	38,664	746	85,142
Total financial liabilities	502,307	13,202	151	515,660

The following table summarises the sensitivity to a reasonably possible change in the US Dollar to Sterling foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date. The impact in equity is the same as the impact on profit before tax. The Group's exposure to foreign currency changes for all other currencies is not material:

	Pre-tax profit	
	10% rate increase $'000	10% rate decrease $'000
31 December 2023	**(34,908)**	**34,908**
31 December 2022	(50,615)	50,615

Credit risk
Credit risk is managed on a Group basis. Credit risk in financial instruments arises from cash and cash equivalents and derivative financial instruments where the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. For banks and financial institutions, only those rated with an A-/A3 credit rating or better are accepted. Cash balances can be invested in short-term bank deposits and AAA-rated liquidity funds, subject to Board-approved limits and with a view to minimising counterparty credit risks.

In addition, there are credit risks of commercial counterparties, including exposures in respect of outstanding receivables. The Group trades only with recognised international oil and gas companies, commodity traders and shipping companies and at 31 December 2023, there were no trade receivables past due but not impaired (2022: nil) and no joint venture receivables past due (2022: $0.1 million) but not impaired. Receivable balances are monitored on an ongoing basis with appropriate follow-up action taken where necessary. Any impact from ECL is disclosed in note 16.

Ageing of past due but not impaired receivables	2023 $'000	2022 $'000
Less than 30 days	**–**	–
30–60 days	**–**	–
60–90 days	**–**	–
90–120 days	**–**	–
120+ days	**–**	123
	–	123

At 31 December 2023, the Group had one customer accounting for 58% of outstanding trade receivables (2022: two customers, 79%) and no joint venture partner accounting for over 10% of outstanding joint venture receivables (2022: one joint venture partner, 25%).

28. Risk management and financial instruments continued

Liquidity risk

The Group monitors its risk of a shortage of funds by reviewing its cash flow requirements on a regular basis relative to its existing bank facilities and the maturity profile of its borrowings. Specifically, the Group's policy is to ensure that sufficient liquidity or committed facilities exist within the Group to meet its operational funding requirements and to ensure the Group can service its debt and adhere to its financial covenants. At 31 December 2023, $166.2 million (2022: $47.3 million) was available for drawdown under the Group's facilities (see note 18).

The following tables detail the maturity profiles of the Group's non-derivative financial liabilities, including projected interest thereon. The amounts in these tables are different from the balance sheet as the table is prepared on a contractual undiscounted cash flow basis and includes future interest payments.

The payment of contingent consideration is limited to cash flows generated from Magnus (see note 22). Therefore, no contingent consideration is payable if insufficient cash flows are generated over and above the requirements to operate the asset and there is no exposure to liquidity risk. By reference to the conditions existing at the reporting period end, the maturity analysis of the contingent consideration is disclosed below. All of the Group's liabilities, except for the RBL and Term Loan facilities, are unsecured.

Year ended 31 December 2023	On demand $'000	Up to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Loans and borrowings	–	64,518	131,081	221,311	–	416,910
Bonds	–	50,749	50,749	576,415	–	677,913
Contingent consideration	–	46,555	95,335	289,823	393,187	824,900
Obligations under finance leases	–	160,341	70,062	229,310	36,322	496,035
Trade and other payables	–	347,408	13,167	19,750	–	380,325
	–	669,571	360,394	1,336,609	429,509	2,796,083

Year ended 31 December 2022	On demand $'000	Up to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Loans and borrowings	–	163,223	175,400	152,000	–	490,623
Bonds	–	194,991	49,919	615,449	–	860,359
Contingent consideration	–	126,910	85,267	327,642	400,480	940,299
Obligations under finance leases	–	151,621	127,592	256,139	37,693	573,045
Trade and other payables	–	426,643	–	–	–	426,643
	–	1,063,388	438,178	1,351,230	438,173	3,290,969

The following tables detail the Group's expected maturity of payables for its derivative financial instruments. The amounts in these tables are different from the balance sheet as the table is prepared on a contractual undiscounted cash flow basis. When the amount receivable or payable is not fixed, the amount disclosed has been determined by reference to a projected forward curve at the reporting date.

Year ended 31 December 2023	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 2 years $'000	Over 2 years $'000	Total $'000
Commodity derivative contracts	414	3,111	17,264	1,000	–	21,789
Other derivative contracts	–	8,261	–	–	–	8,261
	414	11,372	17,264	1,000	–	30,050

Year ended 31 December 2022	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 2 years $'000	Over 2 years $'000	Total $'000
Commodity derivative contracts	9,549	27,496	15,553	–	–	52,598
Other derivative contracts	880	4,429	–	–	–	5,309
	10,429	31,925	15,553	–	–	57,907

28. Risk management and financial instruments continued

Capital management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to the equity holders of the parent company, comprising issued capital, reserves and retained earnings as in the Group statement of changes in equity.

The primary objective of the Group's capital management is to optimise the return on investment, by managing its capital structure to achieve capital efficiency whilst also maintaining flexibility. The Group regularly monitors the capital requirements of the business over the short, medium and long term, in order to enable it to foresee when additional capital will be required.

The Group has approval from the Board to hedge external risks, see Commodity price risk: oil prices and Foreign exchange risk. This is designed to reduce the risk of adverse movements in exchange rates and market prices eroding the return on the Group's projects and operations.

The Board regularly reassesses the existing dividend policy to ensure that shareholder value is maximised. Any future shareholder distributions are expected to depend on the earnings and financial condition of the Company and such other factors as the Board considers appropriate.

The Group monitors capital using the gearing ratio and return on shareholders' equity as follows. Further information relating to the movement year-on-year is provided within the relevant notes and within the Financial review (pages 26 to 30).

	Notes	2023 $'000	2022 $'000
Loans, borrowings and bond(i) (A)	18	794,453	1,018,712
Cash and short-term deposits	14	(313,572)	(301,611)
EnQuest net debt(ii) (B)		480,881	717,101
Equity attributable to EnQuest PLC shareholders (C)		456,728	484,241
Profit/(loss) for the year attributable to EnQuest PLC shareholders (D)		(30,833)	(41,234)
Profit/(loss) for the year attributable to EnQuest PLC shareholders excluding remeasurements and exceptionals (E)		29,213	212,346
Adjusted EBITDA(ii) (F)		824,666	979,084
Gross gearing ratio (A/C)		1.7	2.1
Net gearing ratio (B/C)		1.1	1.5
EnQuest net debt/adjusted EBITDA(ii) (B/F)		0.6	0.7
Shareholders' return on investment (D/C)		N/A	N/A
Shareholders' return on investment excluding exceptionals (E/C)		6%	44%

(i) Principal amounts drawn, excludes netting off of fees (see note 18)
(ii) See Glossary – non GAAP measures on pages 193 to 196

29. Subsidiaries

At 31 December 2023, EnQuest PLC had investments in the following subsidiaries:

Name of company	Principal activity	Country of incorporation	Proportion of nominal value of issued Ordinary shares controlled by the Group
EnQuest Britain Limited	Intermediate holding company and provision of Group manpower and contracting/procurement services	England	100%
EnQuest Heather Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Thistle Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
Stratic UK (Holdings) Limited(i)	Intermediate holding company	England	100%
EnQuest ENS Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest UKCS Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Heather Leasing Limited(i)	Leasing	England	100%
EQ Petroleum Sabah Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Dons Leasing Limited(i)	Leasing	England	100%
EnQuest Energy Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Production Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Global Limited	Intermediate holding company	England	100%
EnQuest NWO Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EQ Petroleum Production Malaysia Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
NSIP (GKA) Limited[1]	Construction, ownership and operation of an oil pipeline	Scotland	100%
EnQuest Global Services Limited(i)[2]	Provision of Group manpower and contracting/procurement services for the international business	Jersey	100%
EnQuest Marketing and Trading Limited	Marketing and trading of crude oil	England	100%
NorthWestOctober Limited(i)	Dormant	England	100%
EnQuest UK Limited(i)	Dormant	England	100%
EnQuest Petroleum Developments Malaysia SDN. BHD(i)[3]	Exploration, extraction and production of hydrocarbons	Malaysia	100%
EnQuest NNS Holdings Limited(i)	Intermediate holding company	England	100%
EnQuest NNS Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Advance Holdings Limited(i)	Intermediate holding company	England	100%
EnQuest Advance Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Forward Holdings Limited(i)	Intermediate holding company	England	100%
EnQuest Forward Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Progress Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
North Sea (Golden Eagle) Resources Ltd	Exploration, extraction and production of hydrocarbons	England	100%
Veri Energy (CCS) Limited(i)	Assessment and development of new energy and decarbonisation opportunities	England	100%
Veri Energy (Hydrogen) Limited(i)	Assessment and development of new energy and decarbonisation opportunities	England	100%
Veri Energy Holdings Limited	Intermediate holding company	England	100%
Veri Energy Limited(i)	Assessment and development of new energy and decarbonisation opportunities	England	100%

(i) Held by subsidiary undertaking

The Group has two branches outside the UK (all held by subsidiary undertakings): EnQuest Global Services Limited (Dubai) and EnQuest Petroleum Production Malaysia Limited (Malaysia).

Registered office addresses:
1 Annan House, Palmerston Road, Aberdeen, Scotland, AB11 5QP, United Kingdom
2 Ground Floor, Colomberie House, St Helier, JE4 0RX, Jersey
3 c/o TMF, 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee 50250 Kuala Lumpur, Malaysia

30. Cash flow information

Cash generated from operations

	Notes	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Profit/(loss) before tax		**231,779**	203,214
Depreciation	5(c)	**6,109**	6,222
Depletion	5(b)	**292,199**	327,026
Exploration and appraisal expense		**5,640**	–
Net impairment charge to oil and gas assets	4	**117,396**	81,049
Net (write back)/disposal of inventory		**(622)**	762
Share-based payment charge	5(f)	**3,320**	4,719
Change in Magnus related contingent consideration	22	**(10,811)**	268,910
Change in provisions	23	**59,970**	(25,001)
Other non-cash income	5(d)	**(4,058)**	(6,636)
Change in Golden Eagle related contingent consideration	22	**1,663**	3,162
Option premium recognition		**–**	1,331
Unrealised (gain)/loss on commodity financial instruments	5(a)	**(28,463)**	(14,475)
Unrealised loss/(gain) on other financial instruments	5(b)	**3,832**	4,900
Unrealised exchange loss/(gain)		**12,401**	(13,588)
Net finance expense		**140,213**	154,492
Operating cash flow before working capital changes		**830,568**	996,087
Decrease in trade and other receivables		**51,724**	12,714
Increase in inventories		**(9,518)**	(5,388)
(Decrease)/increase in trade and other payables		**(18,028)**	22,736
Cash generated from operations		**854,746**	1,026,149

30. Cash flow information continued

Changes in liabilities arising from financing activities

	Loans and borrowings $'000	Bonds $'000	Lease liabilities $'000	Total $'000
At 1 January 2022	(402,065)	(1,109,920)	(570,781)	(2,082,766)
Cash movements:				
Repayments of loans and borrowings	415,000	827,166	–	1,242,166
Proceeds from loans and borrowings	(409,180)	(376,163)	–	(785,343)
Payment of lease liabilities	–	–	147,971	147,971
Cash interest paid in year	14,771	80,189	–	94,960
Non-cash movements:				
Additions	4,038	14,323	(28,130)	(9,769)
Interest/finance charge payable	(14,490)	(62,262)	(39,172)	(115,924)
Fee amortisation	(22,679)	(2,652)	–	(25,331)
Disposal	–	–	1,432	1,432
Foreign exchange and other non-cash movements	1,077	32,036	6,614	39,727
At 31 December 2022	(413,528)	(597,283)	(482,066)	(1,492,877)
Cash movements:				
Repayments of loans and borrowings	**265,809**	**138,052**	**–**	**403,861**
Proceeds from loans and borrowings	**(166,782)**	**–**	**–**	**(166,782)**
Payment of lease liabilities	**–**	**–**	**135,675**	**135,675**
Cash interest paid in year	**36,285**	**62,130**	**–**	**98,415**
Non-cash movements:				
Additions	**–**	**–**	**(28,377)**	**(28,377)**
Interest/finance charge payable	**(30,708)**	**(58,999)**	**(43,801)**	**(133,508)**
Fee amortisation	**(1,476)**	**(3,091)**	**–**	**(4,567)**
Foreign exchange and other non-cash movements	**(810)**	**(11,828)**	**(3,605)**	**(16,243)**
At 31 December 2023	**(311,210)**	**(471,019)**	**(422,174)**	**(1,204,403)**

Reconciliation of carrying value

	Notes	Loans and borrowings (see note 18) $'000	Bonds (see note 18) $'000	Lease liabilities (see note 24) $'000	Total $'000
Principal		(417,967)	(600,745)	(482,066)	(1,500,778)
Unamortised fees		4,609	13,815	–	18,424
Accrued interest	17	(170)	(10,353)	–	(10,523)
At 31 December 2022		(413,528)	(597,283)	(482,066)	(1,492,877)
Principal		**(319,784)**	**(474,669)**	**(422,174)**	**(1,216,627)**
Unamortised fees		**8,553**	**10,724**	**–**	**19,277**
Accrued interest	17	**21**	**(7,074)**	**–**	**(7,053)**
At 31 December 2023		**(311,210)**	**(471,019)**	**(422,174)**	**(1,204,403)**

31. Subsequent events

In March 2024, the UK Government announced that the sunset clause for EPL would be extended by a year to 31 March 2029, although no date has yet been set for when this will be legislated. The Group estimates the impact of this one year extension to be an additional deferred tax liability of approximately $44.6 million, with a reduction in the carrying value of the Group's assets of approximately $22.3 million.

In February 2024, the regulator approved the 15.0% disposal of a share in the Bressay licence to RockRose.

By the end of February 2024, the Group had fully repaid the outstanding $140.0 million of its Reserve Based Lending Facility.

The Board of Directors of EnQuest PLC are proposing making a $15.0 million share buy back, to be executed during 2024. The distribution will be below the limit granted at the 2023 Annual General Meeting allowing the Company to purchase up to 10% of its issued Ordinary share capital in the market.

Statement of Directors' Responsibilities
for the Parent Company Financial Statements

The Directors are responsible for preparing the Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's specific corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company Balance Sheet (Registered number: 07140891)
At 31 December 2023

	Notes	2023 $'000	2022 $'000
Fixed assets			
Investments	3	**299,770**	370,355
Current assets			
Trade and other debtors			
– due within one year	4	**108,878**	3
– due after one year	4	**589,029**	700,243
Cash at bank and in hand		**178**	89
		698,085	700,335
Trade and other creditors: amounts falling due within one year	6	**(152,634)**	(12,398)
Net current assets		**545,451**	687,937
Total assets less current liabilities		**845,221**	1,058,292
Trade and other creditors: amounts falling due after one year	7	**(463,946)**	(586,930)
Net assets		**381,275**	471,362
Share capital and reserves			
Share capital and premium	8	**393,831**	392,196
Other reserve		**40,143**	40,143
Share-based payment reserve		**13,195**	11,510
Profit and loss account		**(65,894)**	27,513
Shareholders' funds		**381,275**	471,362

The attached notes 1 to 14 form part of these Company financial statements.

The Company reported a loss for the financial year ended 31 December 2023 of $93.4 million (2022: profit of $8.3 million). There were no other recognised gains or losses in the period (2022: nil).

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2024 and signed on its behalf by:

Amjad Bseisu
Chief Executive Officer

Company Statement of Changes in Equity
For the year ended 31 December 2023

	Notes	Share capital and share premium $'000	Other reserve $'000	Share-based payments reserve $'000	Profit and loss account $'000	Total $'000
At 31 December 2021		392,196	40,143	6,791	19,238	458,368
Profit/(loss) for the year		–	–	–	8,275	8,275
Total comprehensive income for the year		–	–	–	8,275	8,275
Share-based payment charge		–	–	4,719	–	4,719
At 31 December 2022		392,196	40,143	11,510	27,513	471,362
Profit/(loss) for the year		**–**	**–**	**–**	**(93,407)**	**(93,407)**
Total comprehensive expense for the year		**–**	**–**	**–**	**(93,407)**	**(93,407)**
Issue of shares to Employee Benefit Trust	8	**1,635**	**–**	**(1,635)**	**–**	**–**
Share-based payment charge		**–**	**–**	**3,320**	**–**	**3,320**
At 31 December 2023		**393,831**	**40,143**	**13,195**	**(65,894)**	**381,275**

1. Corporate information

The separate parent company financial statements of EnQuest PLC ('EnQuest' or the 'Company') for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 27 March 2024.

EnQuest PLC is a public limited company incorporated and registered in England and is the holding and ultimate controlling company for the Group of EnQuest subsidiaries (together the 'Group'). The Company address can be found on the inside back cover.

2. Summary of significant accounting policies

Basis of preparation
These separate financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100, 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council. The Company has previously notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

These financial statements are prepared under the historical cost basis, except for the fair value remeasurement of certain financial instruments as set out in the accounting policies below. The functional and presentation currency of the separate financial statements is US Dollars and all values in the separate financial statements are rounded to the nearest thousand ($'000) except where otherwise stated.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, fair value measurement, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts. For new standards and interpretations see note 2 of the Group financial statements. No material impact was recognised upon application in the Company financial statements.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the parent company. The parent company's accounts present information about it as an individual undertaking and not about its Group.

Going concern
The Directors' assessment of going concern concludes that the use of the going concern basis is appropriate and the Directors have a reasonable expectation that the Group, and therefore the Company, will be able to continue in operation and meet its commitments as they fall due over the going concern period. See note 2 of the Group financial statements for further details.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2023.

Critical accounting estimates and judgements
The management of the Group has to make estimates and judgements when preparing the financial statements of the Group. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the Group's results. The most important estimates in relation thereto are:

Key sources of estimation uncertainty: Impairment/reversal of investments in subsidiaries
Determination of whether investments have suffered any impairment requires an estimation of the assets' recoverable value. The recoverable value is based on the discounted cash flows expected to arise from the subsidiaries' oil and gas assets, using asset-by-asset life-of-field projections as part of the Group's assessment for the impairment of the oil and gas assets. The Company's investment in subsidiaries is tested for impairment annually (see note 3 for recoverable values and sensitivities). See Group critical accounting estimates and judgements in note 2 for recoverability of oil and gas subsidiary asset carrying values.

No critical accounting judgements have been identified in the preparation of these financial statements.

Foreign currencies
Transactions in currencies other than the Company's functional currency are recorded at the prevailing rate of exchange on the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rate of exchange at the date the fair value was determined. All foreign exchange gains and losses are taken to the statement of comprehensive income.

3. Investments

Accounting policy
Investments in subsidiaries are accounted for at cost less any provision for impairment.

(a) Summary

	2023 $'000	2022 $'000
Subsidiary undertakings	**299,764**	370,349
Other financial assets at FVPL	**6**	6
Total	**299,770**	370,355

(b) Subsidiary undertakings

	$'000
Cost	
At 1 January 2022	1,394,157
Additions	4,719
At 31 December 2022	**1,398,876**
Additions	**3,320**
At 31 December 2023	**1,402,196**
Provision for impairment	
At 1 January 2022	997,432
Impairment charge for the year	31,095
At 31 December 2022	**1,028,527**
Impairment charge for the year	**73,905**
At 31 December 2023	**1,102,432**
Net book value	
At 31 December 2023	**299,764**
At 31 December 2022	370,349
At 31 December 2021	396,725

The Company has recognised an impairment charge of its investment in subsidiary undertakings of $73.9 million (2022: impairment charge of $31.1 million). The impairment charge for the year ended 31 December 2023 is primarily driven by changes in production and cost profiles and an increase in EnQuest's long-term oil price assumption.

The Group's recoverable value of its investments is highly sensitive, inter alia, to oil price achieved. A sensitivity has been run on the oil price assumption, with a 10.0% change being considered to be a reasonable possible change for the purposes of sensitivity analysis (see note 2 of the Group financial statements). A 10.0% decrease in oil price would have increased the impairment charge by $162.5 million.

The oil price sensitivity analysis does not, however, represent management's best estimate of any impairments that might be recognised as they do not fully incorporate consequential changes that may arise, such as reductions in costs and changes to business plans, phasing of development, levels of reserves and resources, and production volumes. As the extent of a price reduction increases, the more likely it is that costs would decrease across the industry. The oil price sensitivity analysis therefore does not reflect a linear relationship between price and value that can be extrapolated.

Details of the Company's subsidiaries at 31 December 2023 are provided in note 29 of the Group financial statements.

(c) Other financial assets at fair value through profit or loss
The interest in other listed investments at the end of the year is part of the Group's investment in the Ordinary share capital of Ascent Resources plc, which is incorporated in the United Kingdom and registered in England and Wales.

4. Trade and other debtors

Financial assets

Financial assets are classified at initial recognition as amortised cost, fair value through other comprehensive income ('FVOCI'), or fair value through profit or loss ('FVPL'). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Company does not currently hold any financial assets at FVOCI, i.e. debt financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial assets at amortised cost

Trade debtors, other debtors and joint operation debtors are measured initially at fair value and subsequently recorded at amortised cost, using the effective interest rate ('EIR') method, and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired and EIR amortisation is included within finance costs.

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Prepayments, which are not financial assets, are measured at historical cost.

Impairment of financial assets

The Company recognises a loss allowance for expected credit loss ('ECL'), where material, for all financial assets held at the balance sheet date. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. ECLs are based on the difference between the contractual cash flows due to the Company, and the discounted actual cash flows that are expected to be received. Where there has been no significant increase in credit risk since initial recognition, the loss allowance is equal to 12-month expected credit losses. Where the increase in credit risk is considered significant, lifetime credit losses are provided. For trade receivables, a lifetime credit loss is recognised on initial recognition where material.

The Company evaluates the concentration of risk with respect to intercompany debtors as low, as its customers are intercompany ventures, and has considered the risk relating to the probability of default on loans that are repayable on demand. The Company has evaluated an expected credit loss of $nil for the year ended 31 December 2023, as required by IFRS 9's expected credit loss model (2022: $2.2 million).

	2023 $'000	2022 $'000
Due within one year		
Prepayments	**51**	3
Other receivables – vendor financing facility	**108,827**	–
	108,878	3
Due after one year		
Amounts due from subsidiaries	**552,753**	698,462
Other receivables – vendor financing facility	**36,276**	–
	589,029	698,462

Included within the amounts due from Group undertakings are balances of $512.4 million (2022: $667.2 million) on which interest was charged at between 9.0%-11.625% (2022: 7.0%-11.625%). All other balances are interest free.

All amounts owed by Group undertakings are unsecured and repayable on demand. However, the Company does not expect such amounts to be repaid within one year from the balance sheet date.

A vendor financing facility was entered into with RockRose Energy Limited on 29 December 2023 following the farm-down of a 15.0% share in the EnQuest Producer FPSO and capital items associated with the Bressay development. $108.8 million was repaid in the first quarter of 2024 with the remainder of $36.3 million repayable through future net cash flows from the Bressay field. Interest on the outstanding amount accrues at 2.5% plus the Bank of England's Base Rate.

5. Deferred tax

The Company has unused UK mainstream corporation tax losses of $67.8 million (2022: $23.6 million) for which no deferred tax asset has been recognised at the balance sheet date due to the uncertainty of recovery of these losses.

6. Trade and other creditors: amounts falling due within one year

Accounting policy

Financial liabilities

Financial liabilities are classified at initial recognition as amortised cost or at fair value through profit or loss.

Financial liabilities are derecognised when they are extinguished, discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Group income statement.

Financial liabilities at amortised cost

Loans and borrowings, trade creditors and other creditors are measured initially at fair value net of directly attributable transaction costs and subsequently recorded at amortised cost, using the EIR method. Loans and borrowings are interest bearing. Gains and losses are recognised in profit or loss when the liability is derecognised and EIR amortisation is included within finance costs.

	2023 $'000	2022 $'000
Bond and other interest	**7,073**	10,353
Amounts due to subsidiaries	**145,434**	1,934
Accruals	**127**	111
	152,634	12,398

Included within the amounts owed to Group undertakings are balances of $7.9 million (2022: nil) on which interest was charged at 10.98% (2022: 9.89%). All other balances are interest free.

All amounts owed to Group undertakings are unsecured and repayable on demand.

7. Trade and other creditors: amounts falling due after one year

	2023 $'000	2022 $'000
Bonds	**463,946**	586,930

At 31 December 2023, bonds comprise a high yield bond and a retail bond. The carrying value of the high yield bond is $294.3 million (2022: $291.2 million) and pays a coupon of 11.625% bi-annually with a maturity date of November 2027. The retail bond has a carrying value of $169.7 million (2022: $161.2 million) and pays a coupon of 9.00% with a maturity date of October 2027. See note 18 of the Group financial statements. The maturity profile of the bonds is disclosed in note 28 of the Group financial statements.

8. Share capital and share premium

The movement in the share capital and share premium of the Company was as follows:

Authorised, issued and fully paid	Ordinary shares of £0.05 each Number	Share capital $'000	Share premium $'000	Total $'000
At 1 January 2023	**1,885,924,339**	**131,650**	**260,546**	**392,196**
Issue of shares to Employee Benefit Trust	**26,379,774**	**1,635**	**–**	**1,635**
At 31 December 2023	**1,912,304,113**	**133,285**	**260,546**	**393,831**

The share capital comprises only one class of Ordinary share. Each Ordinary share carries an equal voting right and right to a dividend.

At 31 December 2023, there were 8,449,793 shares held by the Employee Benefit Trust (2022: 21,663,181). The movement in the year was due to shares used to satisfy awards made under the Company's share-based incentive schemes offset by the subscription for additional Ordinary shares.

9. Reserves

Share capital and share premium
The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of registered share capital of the parent company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. The share capital comprises only one class of Ordinary share. Each Ordinary share carries an equal voting right and right to a dividend.

Other reserve
The other reserve is used to record any other transactions taken straight to reserves as non-distributable.

Share-based payments reserve
The reserve for share-based payments is used to record the value of equity-settled share-based payments awards to employees and the balance of the shares held by the Company's Employee Benefit Trust. Transfers out of this reserve are made upon vesting of the original share awards. Share-based payment plan information is disclosed in note 21 of the Group financial statements.

10. Auditor's remuneration
Fees payable to the Company's auditor for the audit of the Company and Group financial statements are disclosed in note 5(g) of the Group financial statements.

11. Directors' remuneration
The emoluments of the Directors are paid to them in their capacity as Directors of the Company for qualifying services to the Company and the EnQuest Group. Further information is provided in the Directors' Remuneration Report on pages 99 to 117.

12. Distributions proposed
Further details are disclosed in note 9 of the Group financial statements.

13. Contingencies
The Company provides a number of parent company guarantees. These have been assessed as having no material value.

14. Subsequent events
In March 2024, the Company received $106.8 million of dividends from subsidiary undertakings.

Glossary – Non-GAAP Measures

The Group uses Alternative Performance Measures ('APMs') when assessing and discussing the Group's financial performance, balance sheet and cash flows that are not defined or specified under IFRS but consistent with accounting policies applied in the financial statements. The Group uses these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, to provide stakeholders with additional useful information by adjusting for exceptional items and certain remeasurements which impact upon IFRS measures or, by defining new measures, to aid the understanding of the Group's financial performance, balance sheet and cash flows.

The use of the Business performance APM is explained in note 2 of the Group's consolidated financial statements on page 142.

Business performance net profit attributable to EnQuest PLC shareholders	Notes	2023 $'000	2022 $'000
Reported net profit/(loss) (A)		**(30,833)**	(41,234)
Adjustments – remeasurements and exceptional items	4		
Unrealised gains on derivative contracts	19	**24,631**	9,575
Net impairment (charge)/reversal to oil and gas assets	10,11,12	**(117,396)**	(81,049)
Finance costs on Magnus contingent consideration	6	**(58,854)**	(36,410)
Change in Magnus contingent consideration	2023: 5(d); 2022: 5(d),5(e)	**69,665**	(232,500)
Movement in other provisions		**3,374**	–
Other exceptional income	5(d)	**4,127**	6,636
Other exceptional expenses	5(e)	**(10,731)**	–
Other exceptional finance income	6	**–**	2,148
Pre-tax remeasurements and exceptional items (B)		**(85,184)**	(331,600)
Tax on remeasurements and exceptional items (C)		**25,138**	78,020
Post-tax remeasurements and exceptional items (D = B + C)		**(60,046)**	(253,580)
Business performance net profit attributable to EnQuest PLC shareholders (A – D)		**29,213**	212,346

Adjusted EBITDA is a measure of profitability. It provides a metric to show earnings before the influence of accounting (i.e. depletion and depreciation) and financial deductions (i.e. borrowing interest). For the Group, this is a useful metric as a measure to evaluate the Group's underlying operating performance and is a component of a covenant measure under the Group's reserve based lending ('RBL') facility and term loan. It is commonly used by stakeholders as a comparable metric of core profitability and can be used as an indicator of cash flows available to pay down debt. Due to the adjustment made to reach adjusted EBITDA, the Group notes the metric should not be used in isolation. The nearest equivalent measure on an IFRS basis is profit/(loss) before tax and finance income/(costs).

Adjusted EBITDA	Notes	2023 $'000	2022 $'000
Reported profit from operations before tax and finance income/(costs)		**456,227**	411,887
Adjustments:			
Remeasurements and exceptional items	4	**26,330**	297,338
Depletion and depreciation	5(b),5(c)	**298,308**	333,248
Inventory revaluation		**(622)**	763
Change in provision	5(d),5(e)	**32,764**	(42,823)
Net foreign exchange loss/(gain)	5(d),5(e)	**11,659**	(21,329)
Adjusted EBITDA (E)		**824,666**	979,084

Total cash and available facilities is a measure of the Group's liquidity at the end of the reporting period. The Group believes this is a useful metric as it is an important reference point for the Group's going concern and viability assessments, see pages 29 to 30.

Total cash and available facilities	Notes	2023 $'000	2022 $'000
Available cash		313,028	293,866
Restricted cash		544	7,745
Total cash and cash equivalents (F)	14	313,572	301,611
Available credit facilities		518,794	505,692
Credit facility – drawn down		(290,000)	(405,692)
Letter of credit	18	(43,545)	(52,700)
Available undrawn facility (G)		185,249	47,300
Total cash and available facilities (F + G)[(i)]		498,821	348,911

(i) Includes $19.0 million in relation to a vendor loan facility which expired on 1 January 2024. This facility is currently being renegotiated.

Net debt is a liquidity measure that shows how much debt a company has on its balance sheet compared to its cash and cash equivalents. With deleveraging a strategic priority, the Group believes this is a useful metric to demonstrate progress in this regard. It is also an important reference point for the Group's going concern and viability assessments, see pages 29 to 30. The Group's definition of net debt, referred to as EnQuest net debt, excludes the Group's finance lease liabilities as the Group's focus is the management of cash borrowings and a lease is viewed as deferred capital investment.

EnQuest net debt	Notes	2023 $'000	2022 $'000
Borrowings:	18		
RBL facility		135,080	395,391
Term Loan facility		146,367	–
SVT working capital facility		29,784	12,275
Vendor loan facility		–	5,692
Borrowings (H)		311,231	413,358
Bonds:	18		
High yield bond		294,276	291,185
Retail bonds		169,669	295,745
Bonds (I)		463,945	586,930
Non-cash accounting adjustments:	18		
Unamortised fees on loans and borrowings		8,553	4,609
Unamortised fees on bonds		10,724	13,815
Non-cash accounting adjustments (J)		19,277	18,424
Debt (H + I + J) (K)		794,453	1,018,712
Less: Cash and cash equivalents (E)	14	313,572	301,611
EnQuest net debt (K – F) (L)		480,881	717,101

The EnQuest net debt/adjusted EBITDA metric is a ratio that provides management and users of the Group's consolidated financial statements with an indication of the Group's ability to settle its debt. This is a helpful metric to monitor the Group's progress against its strategic objective of deleveraging.

EnQuest net debt/adjusted EBITDA	2023 $'000	2022 $'000
EnQuest net debt (L)	480,881	717,101
Adjusted EBITDA (E)	824,666	979,084
EnQuest net debt/adjusted EBITDA (L/E)	0.6	0.7

Cash capital expenditure (nearest equivalent measure on an IFRS basis is purchase of property, plant and equipment) monitors investing activities on a cash basis, while cash decommissioning expense monitors the Group's cash spend on decommissioning activities. The Group provides guidance to the financial markets for both these metrics given the materiality of the work programme and the focus on the Group's liquidity position and ability to reduce its debt.

Cash capital and decommissioning expense	2023 $'000	2022 $'000
Reported net cash flows from/(used in) investing activities	(206,895)	(161,247)
Adjustments:		
Purchase of other intangible assets	876	1,199
Payment of Magnus contingent consideration – Profit share	65,506	45,975
Payment of Golden Eagle contingent consideration – Acquisition costs	50,000	–
Proceeds received from farm-down of equity interest in the EnQuest Producer FPSO	(55,800)	–
Interest received	(5,895)	(1,763)
Cash capital expenditure	(152,208)	(115,836)
Decommissioning expenditure	(58,911)	(58,964)
Cash capital and decommissioning expense	(211,119)	(174,800)

Free cash flow ('FCF') represents the cash a company generates, after accounting for cash outflows to support operations and to maintain its capital assets. Currently this metric is useful to management and users to assess the Group's ability to reduce its debt.

The Group's definition of free cash flow is net cash flow adjusted for net repayment/proceeds of loans and borrowings, net proceeds of share issues and cost of acquisitions.

Free cash flow	2023 $'000	2022 $'000
Net cash flows from/(used in) operating activities	754,244	931,553
Net cash flows (used in)/from investing activities	(262,695)	(161,247)
Net cash flows (used in)/from financing activities	(478,631)	(731,163)
Adjustments:		
Proceeds from loans and borrowings	(166,782)	(65,473)
Repayment of loans and borrowings	403,861	545,278
Payment of Golden Eagle contingent consideration – Acquisition costs	50,000	–
Free cash flow	299,997	518,948

Average realised price is a measure of the revenue earned per barrel sold. The Group believes this is a useful metric for comparing performance to the market and to give the user, both internally and externally, the ability to understand the drivers impacting the Group's revenue.

Revenue sales	Notes	2023 $'000	2022 $'000
Revenue from crude oil sales (M)	5(a)	1,127,419	1,517,666
Revenue from gas and condensate sales (N)	5(a)	338,973	514,206
Realised (losses)/gains on oil derivative contracts (P)	5(a)	(11,264)	(203,741)

Barrels equivalent sales	2023 kboe	2022 kboe
Sales of crude oil (Q)	13,714	14,786
Sales of gas and condensate[(i)]	4,107	3,366
Total sales (R)	17,821	18,152

(i) Includes volumes related to onward sale of third-party gas purchases not required for injection activities at Magnus

Average realised prices	2023 $/Boe	2022 $/Boe
Average realised oil price, excluding hedging (M/Q)	**82.2**	102.6
Average realised oil price, including hedging ((M + P)/Q)	**81.4**	88.9

Operating costs ('opex') is a measure of the Group's cost management performance (reconciled to reported cost of sales, the nearest equivalent measure on an IFRS basis). Opex is a key measure to monitor the Group's alignment to its strategic pillars of financial discipline and value enhancement and is required in order to calculate opex per barrel (see below).

Operating costs	Notes	2023 $'000	2022 $'000
Reported cost of sales	5(b)	**946,752**	1,200,706
Adjustments:			
Remeasurements and exceptional items	5(b)	**(5,650)**	(4,900)
Depletion of oil and gas assets	5(b)	**(292,199)**	(327,027)
Credit/(charge) relating to the Group's lifting position and inventory	5(b)	**4,244**	15,568
Other cost of operations(i)	5(b)	**(305,919)**	(487,831)
Operating costs		**347,228**	396,516
Less: realised loss/(gain) on derivative contracts (S)	5(b)	**2,839**	(5,418)
Operating costs directly attributable to production		**350,067**	391,098
Comprising of:			
Production costs (T)	5(b)	**308,331**	347,832
Tariff and transportation expenses (U)	5(b)	**41,736**	43,266
Operating costs directly attributable to production		**350,067**	391,098

(i) Includes $294.0 million (2022: $452.8 million) of purchases and associated costs of third-party gas not required for injection activities at Magnus which is sold on

Barrels equivalent produced	2023 kboe	2022 kboe
Total produced (working interest) (V)(i)	**15,992**	17,250

(i) Production for 2023 includes 604 kboe associated with Seligi gas

Unit opex is the operating expenditure per barrel of oil equivalent produced. This metric is useful as it is an industry standard metric allowing comparability between oil and gas companies. Unit opex including hedging includes the effect of realised gains and losses on derivatives related to foreign currency and emissions allowances. This is a useful measure for investors because it demonstrates how the Group manages its risk to market price movements.

Unit opex	2023 $/Boe	2022 $/Boe
Production costs (T/V)	**19.3**	20.2
Tariff and transportation expenses (U/V)	**2.6**	2.5
Total unit opex ((T + U)/V)	**21.9**	22.7
Realised (gain)/loss on derivative contracts (S/V)	**(0.2)**	0.3
Total unit opex including hedging ((S + T+ U)/V)	**21.7**	23.0

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EnQuest PLC shares are traded on the London Stock Exchange using the code 'ENQ'.

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Financial calendar
30 May 2024: Annual General Meeting
September 2024: Half year results

More information at
www.enquest.com

Forward-looking statements
This announcement may contain certain forward-looking statements with respect to EnQuest's expectations and plans, strategy, management's objectives, future performance, production, reserves, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this announcement should be construed as a profit forecast. Past share performance cannot be relied upon as a guide to future performance.

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